

FINANCIAL TIMES

Weekend

Weekend FT

China's wild west frontier

SECTION II

The year of the anorak

Feasts in the Middle East

World Business Newspaper

WEEKEND JANUARY 6/JANUARY 7 1996

Russia's liberal foreign minister Kozyrev resigns

Andrei Kozyrev, the Russian foreign minister who helped reintegrate his country into the world community after the collapse of the Soviet Union, has resigned to become a deputy in the newly elected parliament. A liberal career diplomat much admired in western capitals but long reviled by Russian nationalists, he appeared to have lost the confidence of President Boris Yeltsin in recent months. Page 24

Kantor sets up trade watchdogs US trade representative Mickey Kantor announced the creation of an office devoted to overseeing the enforcement of trade agreements. He warned trading partners that failure to abide by pacts would bring a tough US response. Page 3

Palestinian bomber killed Mohammed Ayyash, the master bomb maker also known as "The Engineer", died in an explosion in the Gaza Strip, Palestinian officials said. He had been blamed for several explosions which killed about 77 Israelis and foreigners since 1993. Page 3

London stocks follow US trend London stocks fluctuated as the market followed the lead from Wall Street where nervousness over the budget deficit continued to affect trading. London's equity market, along with most European bourses, suffered a series of minor blows, but a tense trading session finished with what dealers said were moderate losses. The FT-SE 100 index lost and then regained the 3,700 level during the day, eventually closing 9.6 points lower at 3,704.5. Over the week the FT-SE 100 rose 15.2 points. Page 15; World stocks, Page 17; Markets, Weekend Page XVIII

Revolt against London exchange chief The chief executive of the London Stock Exchange, Michael Lawrence, was dismissed after members of some of the largest investment banks staged a revolt against the way he was implementing share trading reforms. Page 24; Man in the news, Page 3

UK lottery prize climbs above \$60m Camelot, the consortium which operates the National Lottery in Britain, raised its estimate for the size of today's double rollover jackpot to a record \$60m (\$61.8m). Page 4

Bank of England warns on pay rises Eddie George, governor of the Bank of England - the UK's central bank - suggested that a surge in wage deals could threaten the inflation target and reduce the likelihood of interest rate cuts. Page 4

British fishermen attack new rules Fishermen risked another row with the UK government when they threatened not to comply with new fishing rules because no one in the industry can understand them. Page 4

Indian state may approve Narayana plant Expectations rose that the Dabhol power project, India's biggest and most controversial foreign investment, would finally get the go-ahead from the Indian state government of Maharashtra. Page 3

Queen makes musician a knight American musician André Previn, the conductor laureate of the London Symphony Orchestra, has been awarded an honorary knighthood. The KBE will be presented to Mr Previn in Washington. Opera houses hit a sour note, Page 3

Princess discusses divorce Lawyers for the Princess of Wales confirmed that she had met them to discuss a divorce from Prince Charles, following a letter from the Queen last month urging them to end their marriage after a three-year separation.

FT-SE changes in the classification of UK companies To help guide readers through the current classification, today's FT includes an alphabetical listing of all companies in the London Stock Exchange, showing the industrial sector to which each belongs. Pages 20 - 21; Explanation, Weekend Page 17.

Companies in this issue	
Abbot	5 Morrison (Wm)
DeHavilland	5 CWS Int Inspection
Ford	4 Owen & Robinson
Foris	5 Pemberton
Friends Provident	5 Pilkington
Granada	5,24 Rescan
Howden Group	4 TeleWest
John Lewis	5 Tottenham Hotspur
Marks and Spencer	4 Weir Group
Merrill Lynch	5 Welsh Water

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Deal set to ease US shutdown

By Jack Martin in Washington

The end of the three-week long partial shutdown of the US government was in sight yesterday after Republicans in the House of Representatives reluctantly agreed to a compromise plan that restores some, but not all, federal activities until January 26. The House easily passed the proposal by 401 votes to 17. Democrats had said in advance they could support the proposal while simultaneously making merry with some of its more bizarre aspects. Congressman Richard Gephardt, the minority leader, said the Republicans had "passed the line from reality to insanity". The Senate stood ready to endorse the House action and President Bill Clinton was not expected to object. He was also

Republicans agree budget row compromise

due to resume White House negotiations over the balanced budget with leaders of both parties. Uncertainty over the budget again unsettled the dollar and US markets. The dollar fell nearly two pence to close in London at \$1.04375, from \$1.04565, and at \$1.04385, down from \$1.0451. Late in the trading session in New York, the benchmark 30-year treasury bond was 1/8 lower, at 111 1/8, yielding 6.05, slightly higher than Thursday's figure. The Dow-Jones industrial average was 14.45 points lower, at 5159.36. The Republican compromise plan constitutes a significant retreat from the previous insistence that any re-opening of the government be explicitly linked to satisfactory conclusion of an agreement with the Clinton administration to balance the federal budget in seven years' time. It was achieved only with difficulty, despite mounting public pressure as the impact of the shutdown spread.

Hardline conservatives in the House refused to go along with the initial suggestion of congressman Newt Gingrich, the Speaker, that the government be returned more or less to normal until March 15 - with the restoration of full pay for about 780,000 affected civil servants. Acceptance of the January 26

deadline was also in doubt yesterday until the Speaker delivered a rousing speech to the Republican caucus. He warned fellow members of the adverse political consequences of continuing to hold federal employees "hostage" but promised no retreat from the balanced budget goal. Although they are back on full pay for three weeks, it was far from clear, however, whether many federal employees would be able to conduct their duties as normal. The Republican plan reopens mostly humanitarian activities - such as meals on wheels for the elderly, unemployment offices, veterans and hospital ser-

VICES - as well as national parks and museums, and passport and visa offices. But those federal employees in agencies without either temporary or previously agreed funding, including the justice, commerce and labour departments which are most closely connected to businesses and the financial markets, will not be authorised to spend any money in the pursuit of their duties. Several congressional Democrats made much of the fact that this meant government drivers could not get fuel in their cars and that bureaucrats might not even be permitted to make long distance telephone calls. The collection of economic statistical data also appeared still at risk.

Currencies, Page 10

Murayama resignation heralds turbulent period

Japanese PM quits to allow 'fresh start'

By William Dawkins, Gerard Baker and Michio Nakamoto in Tokyo

Mr Tomiichi Murayama, Japan's prime minister, yesterday handed in his resignation after 18 months in the job, citing the need for the government to make a "fresh start".

His departure, months earlier than expected, paves the way for the conservative Liberal Democratic party to tighten its grip on the three-party government coalition and opens what promises to be a stormy period in Japanese politics.

Mr Ryutaro Hashimoto, the forceful minister for international trade and industry and LDP president, is expected to stand for prime minister in a parliamentary leadership election next week. Mr Hashimoto, a believer in heavy public spending to lift the economy out of recession, said: "If I have to take on the responsibility, I will."

A special three-day parliamentary session, starting on Thursday, has been called to choose Japan's next leader. Mr Murayama said yesterday he did not seek a position in the new government but would seek re-election next month as leader of the Social Democratic party.

Japan's opposition New Frontier party moved on to the attack and called for a snap general election. His demand was echoed by several business leaders, including Mr Shirohiko Toyoda, chairman of the Keidanren economic federation.

However, coalition officials said they planned to keep the alliance in its present form. Mr Murayama said the new government's main task must be to continue to seek economic recovery, rather than prepare for an election. But a broader cabinet reshuffle is expected after the present line-up offers its resignation next week. Mr Masayoshi



Murayama: his departure paves way for Liberal Democratic party to tighten its grip on the three-party government coalition. Photo: Reuters

Takemura, finance minister, hinted he did not expect to remain in his job.

Mr Murayama, Japan's first socialist prime minister for 47 years, came to power in June last year in an alliance with the LDP, his party's traditional enemy, plus the New Horizons party, a left-leaning splinter group of former LDP members.

He has presided over one of the most turbulent periods in post-war Japan, including a series of bank failures, the worst recession since the 1930s, urban terrorism and the Kobe earthquake.

He has been unpopular with his party for jettisoning most of its policies please the LDP, and with the electorate at large for alleged lack of leadership. Financial markets were little

moved by the resignation. Fears of more political uncertainty offset optimism. The Nikkei 225 index closed up 51.93 at 20,569.03, though construction shares gained on hopes of higher infrastructure spending under Mr Hashimoto.

Mr Murayama's resignation casts fresh doubt on the government's chances of securing parliamentary approval for its scheme to bail out housing loan companies. The deeply unpopular plan involves spending more than ¥600bn (\$6.68bn) of public funds from the coming year's budget to help dispose of the bankrupt companies.

PM who buried socialism, Page 3
Labour leader in Tokyo, Page 4
Follow-the-leader game, Page 5

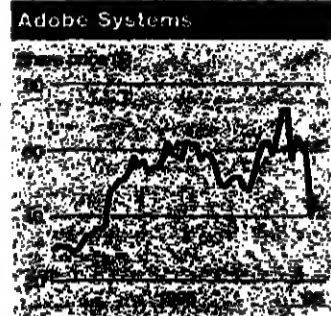
Adobe shares fall 40% as purchases weaken earnings

By Lisa Branson in New York

Shares in Adobe Systems, the US software maker, fell 40 per cent when trading opened yesterday on the Nasdaq stock exchange after the company reported a loss for the fourth quarter and operating earnings well below analysts' expectations.

The stock subsequently recovered and by late afternoon it was trading at 41%, a drop of 11% or 39 per cent. The earnings news contributed to a third consecutive day of weakness across the technology sector. Since Tuesday, the Nasdaq composite, which is about 40 per cent technology issues, had fallen nearly 5 per cent. It opened yesterday's session with another decline of about 1 per cent. But late in the session, the Nasdaq had stabilised with a loss of 1.94 at 1,023.49.

Adobe is the leading provider of software for desktop publishing. Last year, it consolidated its hold on the sector by acquiring Frame Technologies and Cemea, two rivals. The new acquisitions were partly responsible for the



weakness in the fourth quarter. Operating income for the quarter - which excludes charges taken in connection with the acquisitions - was 40 cents a share, compared with 41 cents for the same period last year and the mean analyst estimate of 57 cents, including the charges, the company reported a fourth quarter loss of 16 cents a share. Mr Charles Geschke, president and co-founder of Adobe, attributed some of the quarter's weakness to disruption caused by

Continued on Page 24

Comic cuts threaten Marvel's heroes and villains

By Tony Jackson in New York

The empire of Marvel comics is under attack. Marvel Entertainment, home of Spiderman and the Incredible Hulk, is to axe some of its titles, shed 375 jobs and take a charge of \$26m in the fourth quarter.

The company would not enlarge on the threat yesterday. The Marvel universe is full of bad guys: Dreadknight, Thanos the mad Titan and Doctor Victor von Doom. Some might suspect a more alarming force, the financier Mr Ron Fawcett, majority owner and controller of Marvel since 1989.

In its official statement, Marvel said it would "eliminate unprofitable and marginally profitable titles".

Marvel publishes around 80 comics, down from a peak of 150 three years ago. The company would not say which titles face the axe.

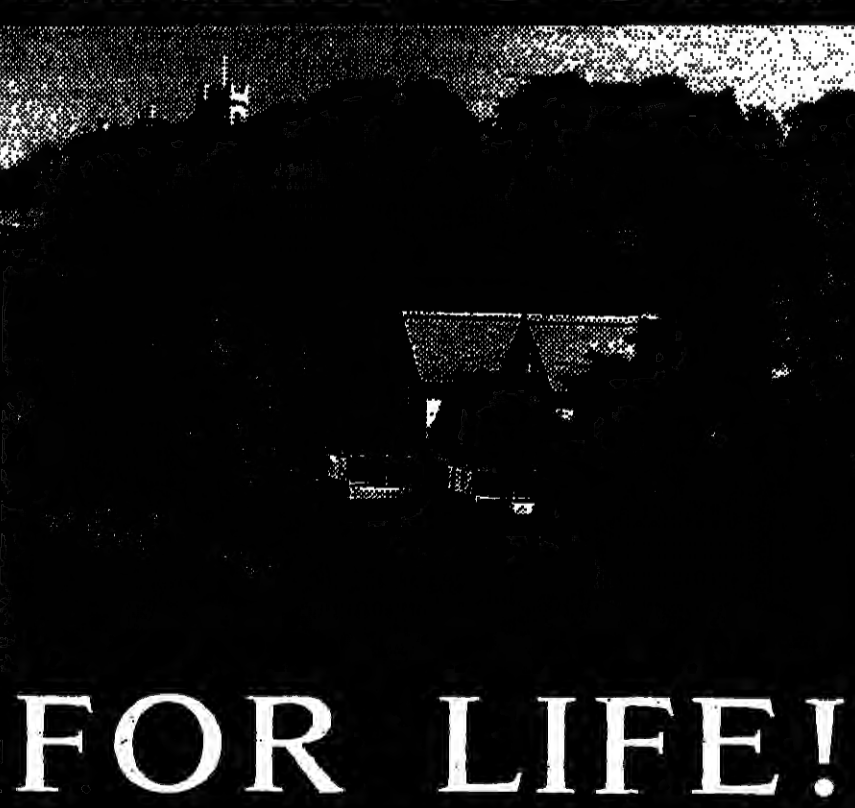
Some titles at least seem safe. By some estimates, over half of Marvel's comic business is made up of two titles, Spiderman and X-Men. Production of four more - the Fantastic Four, Iron Man, Captain America and the Avengers - has just been turned out to two ex-Marvel artists, Jim Lee and Rob Liefeld, who left to set up their own company in 1992.

Trouble is not confined to comic books, which make up only a quarter of Marvel's revenues. The company also makes trading cards - sport or bubble gum cards which children collect and swap to make sets - and bubble gum itself.

The business has been hit by the 1994-5 baseball strike and other sporting disputes. Six weeks ago, Marvel said it would shut its Philadelphia plant and shift production of Bubble Gum to Bahama, Mississippi. Yesterday it said the Bahama plant, too, would be "consolidated". The fate of Bubble Gum remains unclear.

Continued on Page 24

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سكنا من الاصل

NEWS: EUROPE

Double shooting shakes Mostar peace

By Laura Silber in Belgrade

The EU administrator of the divided town of Mostar yesterday appealed for calm after the shooting of two Muslim policemen exposed the fragility of the Muslim-Croat Bosnian federation.

Tensions soared in Mostar after bullets fired from the Croat-held part hit a Muslim police car, seriously wounding two officers, on Thursday

night. It followed the death on New Year's eve of a Muslim youth who was shot as he crossed a check-point.

Mr Hans Koschnick, the EU administrator, warned: "It would be a lie if I said I had everything under control but I hope that serious people will understand how dangerous the situation is."

"Do not throw oil on the fire. We are trying to calm things down but we are not in a good

situation," he told a news conference in Mostar. The town, famous for its 16th-century bridge destroyed in 1993 by Croat troops, remains divided between the Croats and the Muslims despite nearly two years of EU administration.

The Dayton peace agreement hinges on preserving the shaky Bosnian federation, brokered by Washington in February 1994 to end a year of war between the Muslims and the

Croats. They are now uneasy allies, laying down their arms but making no progress in other areas of the federation agreement such as a joint military or the return of refugees.

Nato yesterday said its troops had fired their first shots in anger when an Italian sentry was wounded in Vogošća, a Serb-held suburb north of Sarajevo, since the Implementation Force (IFOR) was deployed 17 days ago.

"Four or five rounds were fired in order to recover a soldier who had been hit by rifle fire in the attack," said Lt Colonel Salvatore Iacono, of the Italian forces.

Efforts to cement the Dayton peace gained pace yesterday in Vienna when the former warring sides exchanged information on their weapons and agreed to despatch liaison to each others' military headquarters.

Mr Istvan Gyarmati, a Hungarian negotiator chairing the arms control talks under the Organisation for Security and Co-operation in Europe, said the agreement was a "very important first confidence-building step".

The upper house of the Russian parliament yesterday approved the despatch of Russian soldiers to join IFOR in Bosnia, backing a proposal by President Boris Yeltsin.

Resigning foreign minister helped build new world order but has since taken a more anti-western line

Kozyrev introduced Russia to a world it still mistrusts

When Mr Andrei Kozyrev became foreign minister of the Russian Federation in October 1990, it was a half-imaginary job. The Soviet Union, of which Russia was merely the largest part, was very much in existence, and few saw the signs of imminent collapse.

When the Union did break up less than a year later, and Russia re-emerged from the ashes, the soft-spoken diplomat played one of the main roles in nursing the fledgling state into full-blooded existence.

In the aftermath of the Soviet collapse, he helped President Boris Yeltsin convince the world that Moscow had renounced its totalitarian past and was determined to be a model member of the world community.

Where the Soviet Union had been expansionist, secretive and full of dark anti-western prejudice, the new Russia - or so Mr Kozyrev asserted - would be open, co-operative and respectful of human rights and international law.

Setting aside its traditional loyalties, Russia joined the western powers in imposing sanctions on international pariahs such as Serbia, Iraq and Libya - and agreed to deep cuts in its long-range nuclear arsenal under the Start-2 treaty.

At that time, Mr Kozyrev showed little patience with those who accused him of selling out Russia's interests. He

insisted that in many areas, Russian and western interests were virtually identical.

His pro-western school argued that all-out confrontation with the US had left the country in a state of ruined exhaustion, and full-scale partnership with the US, even at the cost of abandoning old friends, was the only other way Russia could retain a place on the international stage.

Links with Washington, especially in areas such as nuclear security where the US needed Moscow's co-operation, seemed to offer the best hope that the new Russian state would be accepted as the sole legal successor to the Soviet Union.

Both Mr Kozyrev himself, and Russia's foreign policy establishment, have moved a long way from the pro-western euphoria of that period.

Over the past two years, he has surprised his western friends with his willingness to change with the times and proclaim a much tougher line, reflecting a more assertive mood in Russia's political class and electorate.

At a Nato meeting in Brussels in December 1994, he left his western counterparts dumbfounded by his last-minute refusal to endorse a military co-operation deal with the west. Since then, he has defended Moscow's military onslaught in Chechnya, and hinted that Russia might use

force outside its own borders to defend its kinsmen.

But he has still insisted, in the face of brickbats from disenchanted commentators, that relentless confrontation can be counter-productive.

He has sought a middle way between confrontation and unconditional pro-westernism. "A complex process is developing in which the west cannot decide anything without us and we cannot decide anything without the west," he said last year. "Only the combination of forces will produce results."

However sensible they sound to western ears, such comments have only confirmed his association in the eyes of critics with a policy they see as fawning or even treacherous.

Mr Kozyrev's successor will be under strong pressure to reflect, in both style and substance, a growing conviction that Moscow's long-term interests diverge quite sharply from those of Washington; and that Moscow should look for tactical allies to help fight its own corner.

In practice, observers say, this could mean a return to old strategies of driving wedges between western Europe and the US; a renewed interest in south Asian partners such as India, Iran and Iraq; and even greater reluctance to ratify arms control accords concluded at a time of Russian weakness.

But Mr Yeltsin, who is vested by the constitution with the main responsibility for foreign policy, will insist on retaining the flexibility to make tactical compromises with Washington.

For now, the edge has been removed from US-Russian tensions by last October's successful summit, and an unspoken understanding that no substantive steps towards Nato expansion will be taken this year.

Whoever succeeds Mr Kozyrev is unlikely to be strong enough in his own right to challenge Mr Yeltsin's prerogative or limit the president's freedom of action to cut deals as the opportunity arises. The presidential apparatus will insist that the new minister co-operate with its efforts to streamline the formulation of external policy.

Mr Dmitry Ryukov, the president's chief diplomatic adviser, recently announced the formation of a new foreign policy council in which the ministries of foreign affairs, trade and defence, and the ex-KGB, will all have seats.

He also set out its priorities: relations with China and other Asian states; the opening of markets in Asia and Latin America; European affairs; relations with Nato; and the Russia-US dialogue - in that order.

Bruce Clark and John Thornhill



Kozyrev: has surprised his western friends with his willingness to change with the times and proclaim a much tougher line, reflecting a more assertive mood in Russia's political class

Fall in Italian inflation rate forecast to continue

By Robert Graham in Rome

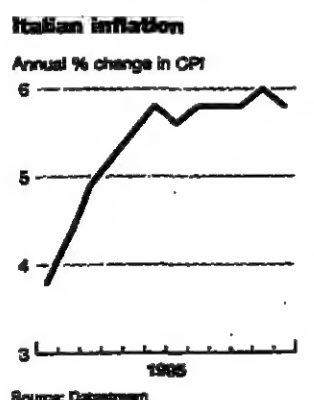
Italian inflation began to fall last month and is expected to drop further in the first months of this year, according to Mr Alberto Zilioli, chairman of Istat, the state statistics institute.

Mr Zilioli's predictions came despite Istat's release of figures showing Italy's economy had grown by 3.4 per cent in the first nine months of the year, the fastest rate in the EU.

December inflation figures showed a month-on-month increase of 0.2 per cent, the first time since July that the monthly rate of increase had fallen.

December's year-on-year inflation however was 5.6 per cent and the average rate for the year was 5.4 per cent, almost double the EU norm. Although Istat is now convinced price rises are set on a downward curve, the 3.5 per cent target for the year set by the government in the macro-economic framework for 1996 budget will be hard to achieve.

The high inflation in main factors, all of which have now more or less disappeared. In the first four months of the year, the lira was subject to further heavy devaluation with a consequent knock-on effect



for imports. But since May the lira has recovered ground, and by the end of the year was 2.7 per cent up on the dollar, though still over 5 per cent down against the D-mark.

The second factor affecting prices was VAT increases in the Dini's government's initial mini-budget. This was seen to add almost one percentage point to the overall index but the effect had been absorbed by the summer.

The third factor has been a sharp increase in producer prices, reflecting the way manufacturers have been passing on the cost of higher raw materials and raising their profit margins. Producer prices are reckoned to have increased on

average almost 7 per cent last year, double the rate of 1994. Government economists hope producer prices are now cooling as the economy has slowed down in the final quarter.

According to figures from Istat yesterday, Italy's GDP grew 2 per cent in the third quarter, giving 3.4 per cent for the first nine months of 1995. This was the fastest growth rate in Europe. Even though the pace has begun to slow, the overall figure for the year is likely to be around 3.2 per cent, slightly higher than originally expected.

The main problem ahead centres on wages. In each of the past three years wages have declined in real terms. This is because the unions have exercised restraint to preserve jobs and to respect a 1993 accord with employers and the government. The accord stipulated wages could not increase by more than the projected rate of inflation. With the projected rate consistently underpinning the real increase in prices, wage earners have lost out, especially in the public sector.

The unions have begun to demand that some of the loss of earning power be recovered. These demands could be stiffened if the 1996 inflation target looks like not being met again.

Ministers quit in scandal protest

By John Thornhill in Moscow

The political turmoil in Lithuania worsened yesterday when two cabinet ministers tendered their resignations, saying they could no longer serve under Mr Adolvas Slezevicius, the prime minister who has become embroiled in a banking scandal.

Mr Algirdas Brazauskas, president of the Baltic state, refused to accept the ministers' resignations immediately and extended heavily qualified support to the embattled prime minister.

Mr Brazauskas said that "as a human being, citizen and president" he condemned Mr Slezevicius for withdrawing \$30,000 from his personal account in Innovation Bank two days before its operations were suspended by the central bank last month. This had been an abuse of power to protect private financial interests, he said.

Mr Brazauskas urged the centrist Labour party leader to remain in his post to help salvage Innovation Bank, which holds 16 per cent of all bank deposits in Lithuania. Tens of thousands of depositors have had their money frozen in the commercial bank for three weeks.

"From a moral viewpoint, or

in the way that ordinary Lithuanian citizens see it, this administration should resign or be made to resign, but who would make this job which has to be done anyway?" Mr Brazauskas said. "The prime minister is human, and to err is human."

Earlier in the day, Mr Povilas Gylas, the foreign minister, and Mr Linas Linkevicius, the defence minister, had sent resignation letters to the president saying that "a moral and political crisis" had emerged within the cabinet and that it was no longer possible to serve the prime minister.

But Mr Brazauskas yesterday met all the other cabinet ministers, who indicated they were willing to work with the prime minister to help resolve the financial crisis.

The Bank of Lithuania suspended the operations of two of Lithuania's biggest banks in late December, fearing for their solvency. Four bank officials were subsequently arrested on suspicion of fraud.

A Baltic news agency report yesterday alleged that another government minister had also withdrawn \$2,300 from Innovation Bank shortly before its collapse.

Flu panic empties chemists' shelves

By Wolfgang Münchau in Frankfurt

Never ones to take illness lightly, the Germans were last week thrown into panic at claims that a deadly strain of the influenza-A virus was sweeping the country.

At the department of public health in Düsseldorf, about 800 people lined up on one day to receive vaccinations, even though these vaccinations would not become effective for several weeks. General practitioners worked overtime and pharmacies had to breach the country's sacred shop opening hours in order to serve their customers.

Television pictures showing the victims of a flu epidemic in the late 1960s, when 40,000 died, added to the hysteria. Several states even came close to cancelling the school winter holidays, fearing that the disease would spread even faster once the children infect one another at school.

In the end the panic, which originated with north German state governments, turned out to have been the customary mix-up between the genuine influenza and the common cold. Despite this, everybody now appears to be happy. The general public and the politicians are content because nobody is dying. Most content of all are the German pharmaceutical industry and the retail pharmacists, who sold out of influenza vaccines.

For the first time, Germany even allowed the temporary import of a foreign brand of flu vaccine, one which did not have a label printed in the German language, in order to overcome the shortage of vaccines.

Städtische Zeitung, one of the few media organisations to have kept its nerve, said pointedly that the only virus around at the moment was a "fear virus". Dr Heinz Otto, president of the federation of German pharmacists, agreed. "This is all the result of irresponsible gossip. Certainly, there may have been some local problems, but as far as we can see, the flu is not a national issue."

INTERNATIONAL NEWS DIGEST

French tax cuts ruled out for this year

Mr Alain Lamassoure, the French budget minister, has ruled out tax cuts or major fiscal reform this year because of the slowdown in the economy. But he told the Paris daily *Le Figaro* that good reform would allow a reduction of taxes for some people while not increasing it for others.

"This is only possible when the economy provides a sufficient margin of manoeuvre each year. It is to be feared that in 1996 this precondition will not occur," Mr Lamassoure is quoted as saying.

Mr Lamassoure stressed that the idea of sweeping reform of France's tax system had not been shelved.

Independent analysts now expect the French economy to grow by just under 2 per cent this year, below the original government prediction of 2.8 per cent. The government is hoping to cut its deficit this year to FF280bn (£38bn), from FF320bn in 1995.

Mr Lamassoure said the weak state of the economy this year would not prevent the government from preparing the ground for a real fiscal reform, notably by getting social security finances in order. AP, Paris

EU officials on bribes charge

Two European Commission officials in Brussels and the wife of one of them have been arrested in connection with a bribery scandal involving European Union tourism subsidies. Mr George Tsouanos, a Greek who headed the Commission's tourism department, his wife, and Mr Pascal Chaitillon, a Frenchman who worked with Mr Tsouanos, are under investigation for several alleged crimes, including the awarding of EU tourism subsidies to companies in return for "illegal commissions" that often amounted to several hundred thousand Ecus. According to Belgian fraud officials, companies in several EU member states sometimes paid more than 10 per cent of the total subsidies awarded them by the officials.

French authorities have arrested two company executives in connection with the case. Emma Tucker, Brussels

China fines CD pirate

The music industry won an important round in its battle against Chinese piracy yesterday when a Shanghai court imposed a \$300,000 fine on a Taiwanese compact disc manufacturer for illegally producing and distributing unauthorised CDs. The fine is unusually high by Chinese standards. Mr Nic Garnett, director general of the International Federation of the Phonographic Industry, which instigated the case, said it should provide a "strong deterrent" to other music pirates in China. Alice Rauschorn, London

Minister enters telephone row

In an effort to end a row about rises of up to 156 per cent in the cost of local telephone calls in Germany, Mr Wolfgang Böttch, Germany's minister for post and telecoms, yesterday suggested that Deutsche Telekom review the figures the company submitted to the ministry in 1994 when the tariff changes were requested.

The ministry said the review was unlikely to alter the new tariff structure. Deutsche Telekom yesterday insisted the tariff structure was necessary to prepare for partial privatisation later this year and a liberalised telecoms market in 1998. Officials said that Mr Böttch's comments were an attempt to fend off protests about the new prices. Michael Laidemann, Bonn

Internet provider to lift sex ban

CompuServe, the internet service provider, plans to restore access for its subscribers outside Germany to 200 sexually explicit internet sites. But the company said it might take up to a month or longer to resume broadcasting a full range of internet content to its international subscribers.

CompuServe last month blocked worldwide access to the sites following advice from German legal officials that the online service was breaking German law by allowing access to banned pornography.

The company is developing the technical capability to block out sexually explicit internet content where required by an individual country's law, while preserving full access for the rest of its 4m subscribers. Reuters, New York

Algeria names new cabinet

Mr Ahmed Ouyahia, Algeria's recently appointed prime minister, yesterday formed a new cabinet that keeps most senior ministers in place. Mr Ouyahia, a technocrat and career diplomat, is expected to prepare for legislative elections due some time this year, to follow the November presidential election which resulted in a landslide victory for Mr Liamine Zerroul but was opposed by the main parties.

Mr Zerroul is likely to hold the defence portfolio, thus giving no signal of any change in his policy of fighting Islamic militants waging battle against the government since 1992. Roula Khalaf, Middle East Correspondent

Australia's deficit widens

Australia's current account deficit widened in November, but two other key economic indicators released yesterday pointed towards continued moderate economic growth in 1996. The November deficit rose 11 per cent to A\$1.87bn (£899m) from a revised A\$1.68bn in October, the highest deficit since July, and slightly above market expectations.

This brought the deficit in the first five months of the financial year to A\$8.3bn, in line with a full-year deficit in the A\$20bn-A\$21bn range forecast by the government. The November widening was caused by a 4 per cent rise in imports and a 3 per cent fall in exports, lifting the physical trade deficit from A\$97m to A\$508m. Bruce Jacques, Sydney

Philippine inflation overshoots

Philippine inflation last year reached 8.1 per cent, breaching the 7.5 per cent target agreed with the International Monetary Fund under a three-year "exit programme".

The government, criticised for allowing higher money (M3) growth to exceed IMF levels, blames the higher rate on temporary rice shortages and natural disasters. Officials said liquidity growth had been reined back in the last few months while rice production was predicted to return to normal. Edward Luce

Howard defends Saudi expulsion

Mr Michael Howard, Britain's home secretary, yesterday confirmed that the importance of the UK's economic ties with Saudi Arabia played a role in the decision to deport Mr Mohammed al-Masari, the leading Saudi dissident, and said it would have been "irresponsible" of the government to act otherwise.

Mr al-Masari, who has launched outspoken attacks on the Saudi royal family from London, was this week given 10 days to leave the country for the Caribbean island of Dominica. The Saudi government has been pressing Britain to deport Mr al-Masari since his arrival in the UK from Yemen in 1994. Mark Nicholson, New Delhi

Correction

Because of a production error, a table on page 4 of the Financial Times yesterday was incorrectly titled. It should have read "World pharmacy drug purchases January-October 1995 in US dollars".

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China's GDP growth put at 10.2% in 1995

By Geoffrey Crothall in Beijing

China's gross domestic product grew by 10.2 per cent last year, according to preliminary statistics released by the government yesterday.

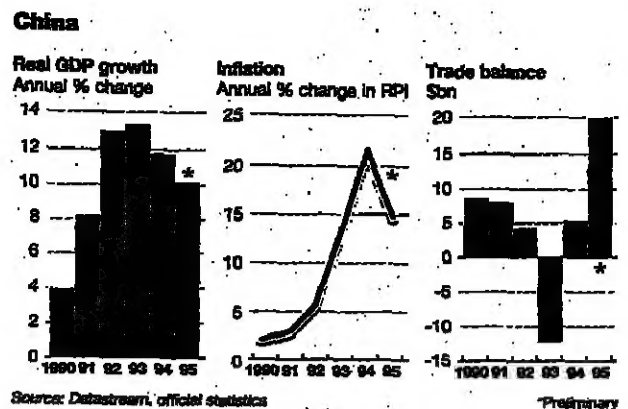
The growth rate was slightly higher than the government's target of 8 to 9 per cent set last March by Mr Li Peng, prime minister, but still 1.6 percentage points lower than the growth rate for 1994.

Inflation fell sharply in 1995 with the national retail price index dropping from 21.7 per cent at the end of 1994 to 14.8 per cent at the end of last year. The broader consumer price index, which includes services as well as retail goods, remained slightly higher at around 17 per cent. Mr Ye Zhen, State Statistical Bureau spokesman, told a press conference.

Mr Ye cited the reduction in economic growth and inflation as a sign that the government had been successful in bringing China's overheated economy to a soft landing, cooling inflation but still maintaining a healthy and stable growth rate. Mr Ye conceded, however, that while structural macro-economic adjustments had on the whole been successful, difficulties remained in several areas.

"Some structural contradictions are still prominent, the agricultural base is still too weak, inflation is still at a relatively high level... and many enterprises are experiencing difficulties with production and management," he said.

The economic growth rate



Source: Datastream, official statistics

For state-owned enterprises

increased slightly in 1995 but

State Statistical Bureau officials

said about 40 per cent of all

state-owned enterprises were

still operating in the red.

Industrial production as a

whole was up 14 per cent on

1994, while agricultural produc-

tion rose 4.5 per cent, with the

estimated grain harvest reach-

ing a record 460m tonnes.

Foreign trade for 1995 grew

18 per cent to \$280bn (£183bn),

giving China a trade surplus of

more than \$20bn, up from

\$5.35bn in 1994. Foreign

exchange reserves continued to

grow, reaching an estimated

\$70bn at the end of the year.

Foreign investment in 1995

totalled \$37bn, up 11 per cent.

Mr Ye did not make any pre-

diction for growth and infla-

tion this year, but economists

in Beijing said it would be diffi-

cult to maintain relatively high

growth and bring inflation

down to the government's target

of 9 or 10 per cent this year.

"There are still inflationary

pressures in China, the cost of

services such as public trans-

port is going up and money

supply remains at a compara-

tively high level," said an econ-

omist at a western embassy in

Beijing.

China's broad M2 money

supply grew 30 per cent in 1995

according to preliminary esti-

mates. M1, or cash and demand

deposits, grew 18 per cent and

M0, cash in circulation, rose 14

per cent. Mr Ye pointed out,

however, that the scale of fixed

asset investment, seen as one

of the main causes of overheating

in the Chinese economy, had

been brought under control

and that the investment

structure was improving.

The growth of fixed asset

investment in 1995 fell 12 per

centage points over 1994 to 19

per cent. China was now see-

ing a more rational investment

structure with greater invest-

ment in agriculture and more

money being put into develop-

ment of the hinterland rather

than the coastal areas, he said.

Israel sees Syrian talks improving relationship

By Julian O'Connell in Jerusalem

Israel said yesterday peace talks with Syria in the US had broken new psychological barriers and laid the foundations for better relations between the two countries but the two sides had yet to make a breakthrough of substance in issues blocking peace.

Israeli officials, however, said they were optimistic that Mr Warren Christopher, US secretary of state, would be able to nudge the negotiations forward when he visits Jerusalem and Damascus next week.

Mr Yossi Beilin, an Israeli cabinet minister, said: "I would say that something very important has happened between Israel and Syria in that we have been able, after four years, to really talk for the first time. This discussion, because of its openness could lead to peace... I can only say that this discussion has still not led to a substantive breakthrough and its very possibility that shuttle diplomacy could be the next, fast stage toward such a breakthrough."

In an interview published in Israel Mr Uri Savir, chief Israeli negotiator with the Syr-

ians, said that the change in atmosphere was "definitely palpable" and that for the first time the two sides had discussed economics and the type of relations that would exist between the two sides in the next 10 years.

Mr Savir said Israel had told Syria it wanted a "complete change in the nature of relations from a situation of confrontation to a situation of real peace - establishing embassies, normalisation, tourism and joint projects in the areas of water and energy".

Israeli officials said they expected Mr Christopher, who joined the talks at a plantation in Maryland, would issue a declaration when the negotiations broke up late yesterday, saying that the two sides had created a new atmosphere. However, Israel has several times in the past voiced optimism about its talks with Syria only to see the negotiations collapse swiftly. "It's possible that when we come to the substantive issue, both sides will discover that beyond the procedural openness nothing revolutionary has happened," Mr Beilin conceded.

Furthermore, Syria remains

solid in its demand that Israel publicly and officially commit itself to a complete withdrawal from the Golan Heights before any breakthrough is possible. Israel refuses to make this commitment saying the depth of withdrawal will depend on the depth of peace Syria is willing to offer.

Nevertheless, Israeli officials said they believed there was a good chance that Mr Christopher's visit would herald more progress. Mr Christopher is expected to announce further rounds of talks and Israeli officials said they hoped future talks would break up into working groups to discuss, simultaneously, all issues including security, water, borders, normalisation of relations and regional co-operation and economic integration.

They said Mr Christopher's visit would be a success if he could persuade Syria to upgrade the negotiating delegations to include military and treasury officials and to accept an Israeli proposal for a meeting of the two countries' foreign ministers. Syria has so far refused to upgrade its delegation beyond the level of its ambassador to the US.

Palestinian master bomber killed in Gaza booby-trap

By Julian O'Connell in Jerusalem

The elusive Palestinian master bomber, who struck fear into the hearts of many Israelis and inspired Palestinians with his daredevil cunning and fierce resistance to Israeli occupation, was killed yesterday in the Gaza Strip.

Palestinian officials said Mr Mohammed Ayyash, also known as "The Engineer", had been killed by a booby-trapped cellular telephone packed with 50 grams of explosive.

The military wing of the Hamas Islamic movement

accused Israel of assassinating its hero and vowed to retaliate against the "Israeli security apparatus" for "this cowardly act which hasn't taken into consideration the consequences".

Israeli ministers confirmed that Mr Ayyash, who masterminded scores of devastating Islamic suicide bombings against Israelis, had been killed.

However, they refused to confirm or deny that Israeli security forces had been involved in the death of a man who headed Israel's most

wanted list for over two years. The Israeli revenge threat, if carried out, could pose a serious challenge to Palestinian elections now under way and will further worsen relations between Hamas and Mr Yasser Arafat, the veteran Palestinian leader.

Hamas, which opposed the Israeli-Palestinian peace process and is boycotting the elections, will almost certainly accuse members of Mr Arafat's security forces of being in collusion with Israel in the killing of Mr Ayyash deep inside Palestinian controlled territory.

Hindu nationalist government in Maharashtra to back \$2.8bn Dabhol power project

Indian state likely to approve Enron plant

By Mark Nicholson in New Delhi

Expectations rose yesterday that the Dabhol power project, India's biggest and most controversial foreign investment, could today finally win approval to proceed from the Indian state government of Maharashtra, which originally "scrapped" the \$2.8bn (£1.8bn) project in August.

An unnamed minister from the state government told the Indian Express newspaper that since Enron, the US energy group leading the project, had "agreed to our terms and con-

ditions", the cabinet would grant approval at a special sitting. Reuter news agency also quoted a minister saying anonymously: "It has been decided. Now announcing it is just a formality."

An Enron official said the company had no information about either impending approval or even whether the project was to be discussed today.

A decision to proceed should close a controversial saga which raised serious questions about the political viability of the Indian government's plan to attract foreign investment

into its ailing power sector, operating below capacity.

It would also put back on course the sole foreign-backed power project to have secured all necessary approvals and financing. The first phase of the original 2,015MW plant was under construction on the coast south of Bombay when the state's newly elected Hindu nationalist government scrapped it. The Hindu nationalist parties had made Dabhol an issue during the successful campaign against the previous Congress party administration in state polls early last year.

The state government at the time said that the project was too costly and its power tariff too high, and that the plant would cause environmental damage. However, the state government decided late last year to renegotiate the project with Enron, and a joint committee announced in November that both sides had reached agreement.

The renegotiated deal, which has been awaiting cabinet approval since, is understood to have cut the power tariff to an average Rs1.89 (34p) per unit from Rs2.40 and reduced the capital cost by more than \$300m, but also to have

Socialist PM who buried socialism

Murayama's turbulent time as Japan's premier comes to an end, says Gerard Baker

It may not have been the epitaph to his political career he would have hoped for in his youth, but the verdict on Mr Tomichi Murayama's 18-month premiership of Japan is that he probably did as much as anyone in the post-cold war world to bury socialism.

The fiery campaigner, who made his name in the 1960s and 1970s preaching the Socialist party's only slightly modified version of Marxism, ended up heading a government that methodically rejected every policy that had distinguished the party in the post-war period.

He became prime minister in the most unlikely circumstances in June 1994 at the head of a coalition government largely comprising his own renamed Social Democratic party and its long-time adversary, the Liberal Democrats. In the months that followed, some of the main constitutional, economic and social tenets of party dogma were dumped.

The cornerstone of Japanese defence policy, the US-Japan security treaty, once reviled by Socialists as "militar-

ism", was not only reaffirmed but strengthened by Mr Murayama. The country's military, whose very existence he used to regard as unconstitutional, was expanded. The use of the controversial *hachimaru* flag in schools and the national anthem were also approved, as was Japan's civil nuclear power programme.

In economic policy, the prime minister persuaded his party to accept a rise in consumption tax - a policy it had long opposed and over which it had walked out of a previous government.

Some of the revisionism clearly caused Mr Murayama great personal disquiet. Perhaps most tellingly, it was obvious during the commemorations last year of the 50th anniversary of the second world war that the prime minister was anxious to issue a full and unqualified apology for Japan's war record, reflecting a view of the war long held by the SDP that it was one of aggression. But objections from LDP members produced instead a watered-down, convoluted expression merely of regret.

It was not, of course, simply the pressures of coalition that forced the changes. After the end of the cold war the Socialists in Japan, as elsewhere, struggled to redefine their role. But the speed with which they completed the journey from Marx to mammon was unique.

The process was assisted by the exigencies of electoral politics. Mr Murayama and his party went along with the dizzying vote-face largely out of political expediency. Though most SDP members were unhappy, they preferred the changes to the near-certain electoral oblivion they faced in the event of a dissolution of parliament. Yet the irony for them was that in abandoning the policies, they probably lost themselves even more votes than if they had resisted.

Many SDP voters felt betrayed and in local and upper house elections last year, the party suffered some of its heaviest losses ever. The disaster hastened efforts to disband the SDP and form a new grouping, though splits

between traditional socialists, who want to return the party to its ideological roots, and reformists, have repeatedly postponed the launch.

His contribution to the historic record of socialism in Japan may not be a positive one, but Mr Murayama can point to real successes during his premiership. His government managed to steer through far-reaching tax changes, and long-awaited electoral reforms, both of which had eluded previous governments. And his personal efforts ensured that victims of the infamous Minamata chemical poisoning in 1956 will at last receive decent compensation.

Above all, in a year and a half which saw Japan beset by an almost biblical array of disasters - earthquakes, terrorist attack, and financial collapse - his government roused itself to respond to its greatest challenge. It implemented a series of substantial fiscal and monetary stimuli, which seem likely to stir the economy from its long recession, something which none of its predecessors achieved.

Appointment of Republican speaker ends 14-month stand-off

Conservatives grab power in California

By Christopher Paries in Los Angeles

Conservative Republicans have consolidated their hold on power in the California State Assembly and set about demolishing the power structures installed by the Democrats during their 25 years in charge.

Sackings of Democrat appointees, prompting accusations of a witch-hunt, started after the Republican caucus ended a 14-month stand-off by installing the speaker of its choice on Thursday afternoon.

The appointment of Mr Curt Pringle, a 36-year-old conservative, marked the end of a farcical interlude in which skillful Democrats had held on to the reins of power despite narrowly losing their customary majority in the November 1994 state election.

The victors marked their takeover by seizing a dust cart allegedly loaded with documentary evidence of Democrat wrongdoings, and promised tax cuts, welfare and environmental reforms and reduced state aid for abortions.

The new-house rules committee, immediately approved a \$100,000 (\$65,000) payment towards the activities of the assembly's Reform party



Willie Brown: winner in San Francisco but finally eliminated by Pringle in the state assembly

caucus. This "group" comprises one member, a former Democrat who switched to Mr Ross Perot's fledgling party last year and earlier this week voted for the changes to the rules committee which eased the conservative coup.

Although the Democrat-controlled Senate, or upper house, warned the incoming speaker against fostering "extreme"

legislation, the appointment of Mr Pringle, and the accompanying dilution of Democrat representation on the rules committee, is a big advance for Republicans preparing for elections in November.

Mr Pete Wilson, pugnacious state governor, was quick to welcome the move as "an advance for the forces favouring less government and a friend-

lier business environment. Although one leading Democrat described Mr Pringle as "an articulate spokesman for an extreme point of view", others readily acknowledged his political skills, especially in budget affairs.

Among his first moves, Mr Pringle engineered the abolition of a top post on the rules committee which had tradi-

tionally served to allow the opposition to exert control of house management.

He also arranged the removal of the assembly's chief sergeant-at-arms, a long-time associate of the former speaker, and newly elected mayor of San Francisco, Mr Willie Brown.

Mr Brown, who had held power for 15 years before being ousted by newly introduced term limits, was the man widely credited with denying Republicans full control since their 1994 state election win.

Mr Pringle promised a speedy removal of all traces of Mr Brown's regime. "Willie Brown said it would take five years before we could unravel the operations of this house," he said. "We need to do it in five weeks." Party colleagues set about ousting Democrats and their entourage from the largest and most amenable offices.

Republican officials also ordered state attorney agents to seize a garbage truck which, they said, contained documents which would prove Democrats had illegally worked on party political and electoral business, using state-owned materials and state-paid time.

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	£10,000+	4.70	3.53	
	£3,000+	4.45	3.34	
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	£50,000+	4.10	3.08	
	£25,000+	4.00	3.00	
	£10,000+	3.65	2.74	
	£3,000+	3.55	2.66	
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	£10,000+	3.55	2.51	
	£3,000+	3.35	2.44	
	£1,000+	2.35	1.76	
	£100+	1.30	1.13	
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A high interest cheque account for balances of £1,000 or more. Interest is paid quarterly.	£25,000+	3.90	2.93	
	£10,000+	3.35	2.51	
	£3,000+	3.25	2.44	
	£1,000+	2.35	1.76	
BARCLAYS TESSA				
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NEWS: UK

Labour claims affinity with Asian economies

By John Kampner,
Chief Political Correspondent

Mr Tony Blair, leader of the opposition Labour party, claimed in Tokyo last night that his party's emphasis on training and investment was in tune with Asian economies. He said his party's approach was closer to those economies than that of the governing Conservative party.

"The Japanese understand very, very clearly that basic minimum standards of their treatment of employees are not in any way inconsistent with efficiency," Mr Blair said on BBC radio. "We are not going to be able to compete on the basis of a low skill, low technology economy."

The British government

sought to ridicule Mr Blair's claim that Labour was the champion of entrepreneurial spirit. The government's attack followed a pledge to Japanese business leaders by Mr Blair that he was committed to competitive tax rates.

Mr Michael Heseltine, deputy prime minister, led the assault, describing Mr Blair's speech during a two-day visit to Tokyo as a "confidence trick".

Mr John Major, the prime minister, is expected to reinforce the point in a television interview tomorrow. Aides said the prime minister would reaffirm his intention to stay the course until the final due date for a general election in May 1997, to see through legislation that would make Britain "Europe's enterprise centre".

Mr Blair's itinerary in Tokyo yesterday was affected by the resignation of Mr Tomichi Murayama, the Japanese prime minister. The most senior figure to receive Mr Blair was the outgoing foreign minister, Mr Yohei Kono. Mr Blair today moves on to Singapore for talks with government and business leaders after receiving a largely warm response from his Japanese hosts.

His trip is part of a broad initiative to woo hitherto sceptical audiences with his party's new-found commitment to keep a firm rein on inflation and trade union power. Mr Gordon Brown, the Labour party's shadow chancellor, will next week make a similar point to senior figures in US politics and commerce.



Ichiro Ozawa, leader of Japan's opposition Shinshinto (New Frontier) party, meeting Tony Blair, leader of Britain's Labour party, in Tokyo yesterday

Conservative strategists have asserted that he has not shifted as far as has been maintained.

Mr Stephen Dorrell, health secretary in the British government, said: "The Japanese are

a polite and well-mannered people. It is no surprise they gave Mr Blair a warm welcome and listened to him with interest. But when hard-nosed business decisions come to be made they won't be taken in."

Mr Blair said yesterday. But the consortium is much less sure about the activities of entrepreneurs in the Irish Republic who have been sending couriers to Northern Ireland and selling UK National Lottery tickets in the south at a premium.

Mr Michael Taylor, director of the Christian Aid charity, urged the government to consider giving unclaimed National Lottery jackpots to charities rather than rolling them over to another big prize the following week.

Skippers call EU fish rules 'complex beyond belief'

By Deborah Hargreaves
in London

Britain's fishermen risked another dispute with the government yesterday when they threatened not to comply with new fishing rules because no-one in the industry can understand them.

Fishermen's leaders said the new 26-page guidelines for fishing in the western waters around Ireland should be sent back to the government. The rules were sent out to all fishermen two weeks ago.

"These instructions are complex beyond belief," said Mr Barrie Deas, chief executive of the National Federation of Fishermen's Organisations. "Skippers are throwing them aside in despair after trying to establish when, where and how they are to comply with the new rules."

The government said it was making fishery officials available to speak to the industry. Senior officials are meeting the

Cornish industry on Monday to discuss the new measures and enforcement in the western waters.

But Mr Deas said that fishermen will be unlikely to comply with the new regime until a less complex version of the rules is available.

The rules cover the much-disputed "Irish Box", first opened to Spanish and Portuguese fishing fleets this month. Many British fishermen bitterly opposed the European Union's agreement to allow up to 40 Spanish or Portuguese vessels into these waters at any one time.

The government defeated Brussels' initial regulations for monitoring fishing in these waters in October, saying they were "overly bureaucratic". But the industry says the government's new guidelines mean "a huge increase in the complexity of the management system at a time when the government professes to be deregulating".

Top prize climbs above \$60m

Camelot, the consortium which operates the National Lottery, yesterday had to revise upwards its estimate for the size of today's double rollover jackpot to a record \$40m (\$61.5m).

Raymond Snoddy writes. It is likely that about \$110m will have been spent on tickets, far exceeding last week's record total of \$78.4m.

This week's total estimated

prize fund has gone up \$73m, and if the forecasts of total sales turn out to be accurate the five "good causes" which qualify for lottery funds should receive nearly \$21m from this week's tickets alone.

Camelot expects that more than 80 per cent of the UK population will take part, underpinned by warnings from churches of the moral dangers of winning such a large prize. With the odds of winning the National Lottery at just under 14m to 1, Camelot expects seven or eight winners of today's jackpot.

If no-one does choose the correct numbers, the rules allow for one final rollover which would almost certainly lead to a jackpot of well over \$50m next week.

There was no sign of the rumoured mysterious syndicates buying up millions of tickets to try to improve their chances of winning.

The size of the jackpot has been attracting day trippers from mainland Europe, and stores in English ports such as Dover reported French visitors spending up to £80 each on tickets.

"They are very welcome," Camelot said yesterday. But the consortium is much less sure about the activities of entrepreneurs in the Irish Republic who have been sending couriers to Northern Ireland and selling UK National Lottery tickets in the south at a premium.

Mr Michael Taylor, director of the Christian Aid charity, urged the government to consider giving unclaimed National Lottery jackpots to charities rather than rolling them over to another big prize the following week.

Central bank issues pay rise warning

By Gillian Tett,
Economics Correspondent

Mr Eddie George, governor of the Bank of England (the UK central bank), suggested yesterday that a surge in wage demands could threaten the inflation target and reduce the likelihood of interest rate cuts.

Mr George said in a radio

interview that wage settlements had been unusually subdued in the past year. But he warned that if high profile

companies, "which people pay attention to", offered large wage settlements, they could have an adverse effect on the broader inflation climate.

His warning came the day after unions at the Vauxhall offshoot of General Motors voted to reject an offer of a 4.5 per cent wage rise. Unions at Ford, often seen as a benchmark for the rest of the industry, are balloting members about a strike in support of their 10 per cent claim.

Bank of England officials yesterday denied Mr George was criticising any specific company and stressed that labour costs were only one factor affecting interest rate decisions.

Recent internal research by the Bank has suggested that settlements at "benchmark" companies may have less impact than previously thought on the rest of industry.

However, Mr George's com-

ments will fuel suspicions in the City of London that the Bank will resist further interest rate cuts until the full impact of January's wage deals and other economic trends becomes clear.

The governor is next due to meet the Mr Kenneth Clarke, chancellor of the exchequer, on January 17. It will be their first meeting since their decision to reduce rates by 25 basis points to 6.5 per cent in December 1995.

UK NEWS DIGEST

N Sea oil output likely to surge

North Sea oil output is set to reach new heights by the end of the decade, says the International Energy Agency. Production will peak in 1998 at the earliest, at about 7m barrels a day, or some 1.5m b/d higher than last year's level, its latest forecast says. Just under half of the peak output - 3.2m b/d - will come from the UK side and the rest from the Norwegian with small amounts from minor producers such as Denmark and the Netherlands. The agency says it had long been assumed that North Sea production would reach its peak in the mid 90s and then decline quickly. But the new peak "is substantially higher and later than recent conventional wisdom would have suggested," adds the agency.

It expects the subsequent decline to be more gentle than forecast as more big fields are brought on stream and smaller satellite fields are opened beside existing fields. The agency attributes the surge in North Sea oil output to improvements in recovery technology, a highly skilled local workforce and heightened fiscal incentives for offshore oil companies. The growing role of gas also enables more mixed oil and gas fields to be developed. The agency adds that the amount of oil to be recovered is less important than access to it. The UK ranks only 21st in terms of world reserves.

David Lascelles, Resources Editor

Three held over Ireland murders

Three people were arrested in Northern Ireland in connection with recent murders in Belfast, the region's capital. The arrests came soon after the formation by the Royal Ulster Constabulary, the region's police, of a squad to hunt the murderers. Police said the three people arrested were being questioned about one of the recent murders, but would not say which one. They insisted that Direct Action Against Drugs, the organisation claiming responsibility for the killings, was a front for the Irish Republican Army. Four men have been shot dead in Belfast in the past four weeks.

President Mary Robinson of the Republic of Ireland is to make the first official visit to Britain by an Irish head of state. The visit will take place in June. Mrs Robinson and Queen Elizabeth II are to be joint patrons of Co-operation North, a non-governmental organisation set up in 1979.

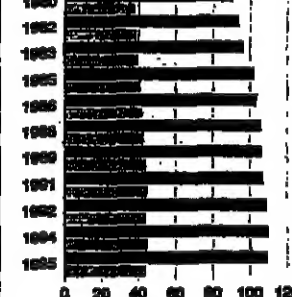
PA News

Number of pubs declines

Drying up

Number of licences granted (000)

On-licences Off-licences



Source: CSD

Drinkers in search of a tipple last summer had fewer choices of venue than the year before as the number of licensed pubs, hotels, restaurants and off-licences in England and Wales declined for the first time since 1992. On-licences are premises such as restaurants and pubs licensed to sell alcoholic drinks on-site. Off-licences include shops and all other premises licensed to sell drink only for consumption elsewhere. The number of premises licensed to serve alcohol on-site fell by 1,500 to 110,000 in the 12 months to June 1995, according to government figures. The number of off-licences fell by 1,700 to 46,000 during the same period. However, relief may be on hand - the number of applications for new licences during 1994-95 matched those of 1991-92, with 4,000 applications for on-licences and 2,100 for off-licences. The number of licensed properties has fluctuated in recent years, falling between 1991 and 1992, rising between 1992 and 1994, and falling back again from 1994 to 1995. This follows a steady increase from the mid 1970s.

Krishna Guha, London

Ex-Jaguar executives jailed

Two former Jaguar executives were jailed on corruption charges involving their receipt of bribes for placing contracts with favoured companies. A London court was told that their activities led to losses of more than £1m (£1.5m) for the luxury carmaker, which is a subsidiary of Ford. A manager in Jaguar's technical publications department was jailed for three years for conspiracy to commit corruption. Another "trusted" manager in Jaguar's technical publications department was jailed for 18 months.

PA News

Union giant 'awakening'

The new general secretary of the AEEU engineering and electrical union is to be Mr Ken Jackson, the acting general secretary. He was elected to the post by 47,643 votes compared with 34,887 for the only other candidate, Mr Barry Davis. Mr Jackson, a supporter of Mr Tony Blair, the Labour party leader, said the £3,500-strong AEEU had been like a sleeping giant for the past two years. "Now the giant has awakened and we're going to be flexing our muscles," he said.

Andrew Bolger, Employment Correspondent

Contracts

Defence: Howden Group, the Scottish industrial and defence equipment manufacturer, said Western Design Howden - its Californian subsidiary - had won two defence contracts worth £10m (£15.5m) for gun loading systems. McDonnell Douglas Helicopter Systems has ordered 100 loading systems for Apache helicopters, while the US Navy plans to use it in F18 and F14 fighter aircraft.

Glass: Pilkington, the international glass group, has won a £13.5m (£20.8m) contract to supply 81,000 sq m of glass for the passenger terminal building at the airport being built at Chek Lap Kok in Hong Kong. The order will be supplied by Flachglas AG, the Pilkington subsidiary in Germany.

Coal handling: Strathairn & Henshaw, part of the Glasgow-based Weir Group, has won an order worth nearly £10m (£15.5m) from BHP Australia Coal for two stowaway machines. These will be used at the Australian company's export terminal at Hay Point, north-eastern Australia.

Rover becomes month's car market leader

REGISTRATIONS OF NEW CARS	Volume	Change%	Share%	Share%
Total market	71,540	-2.8	100.0	100.0
UK produced	33,749	-4.5	47.2	48.2
Imports	37,791	-0.3	52.8	51.8
Japanese makes	8,084	-3.7	11.3	11.5
Ford group	11,181	-28.2	15.6	21.6
- Ford	10,912	-28.3	15.3	21.1
- Jaguar	270	-25.2	0.4	0.5
General Motors	11,264	-9.3	15.9	16.9
- Vauxhall	10,950	-3.0	15.3	16.4
- Saab	434	+34.4	0.6	0.5
BMW group	16,182	+14.1	22.6	24.8
- BMW	1,328	-6.2	1.9	1.9
- Rover	16,856	+15.0	23.6	19.8
Peugeot group	6,912	+6.8	9.7	8.3
- Peugeot	4,294	+5.2	6.0	5.6
- Citroen	2,628	+10.1	3.7	2.8
Volkswagen group	5,115	+30.5	7.2	5.4
- Volkswagen	3,038	+34.7	4.3	3.1
- Audi	1,029	+48.2	1.4	1.0
- SEAT	448	+20.4	0.6	0.5
- Skoda	600	+2.5	0.8	0.8
Renault	2,022	-41.2	2.8	4.7
Nissan	4,290	+10.8	6.0	5.3
Mini group	2,634	+26.7	3.7	4.0
- Volvo	1,289	-28.2	1.8	2.3
- Alfa Romeo	218	+48.3	0.3	0.2
Toyota	1,692	-32.1	2.2	3.1
Nonda	391	-52.5	0.5	1.1
Mercedes-Benz	1,039	+48.9	1.5	1.0
Mazda	389	-35.3	0.5	0.7
Korean brands	1,793	+57.6	2.5	1.5

*All notes 50% of South Australia and has management control. *Includes Range Rover subsidiary. **VW made 31% of Skoda and has management control. Source: Society of Motor Manufacturers and Traders

The market for new cars rose by 1.8 per cent to 1.95m units last year, John Griffiths writes. But carmakers and dealers yesterday declared themselves deeply disappointed with the outcome and gloomy about 1996. "The industry has never worked so hard to encourage buyers back into the showroom," said Mr Neil Marshall, director of public policy for the Retail Motor Industry Federation, representing Britain's 7,000 franchised dealers. Figures from the Society of Motor Manufacturers and Traders showed that sales to private buyers fell by 27,000 cars, or around 3 per cent, compared with a 6.3 per cent increase - representing 61,000 cars - in sales to business buyers.

Marks and Spencer N Ireland supplier denies child labour allegations

Wrongly labelled clothes withdrawn

By John Murray Brown
in Dublin

Marks and Spencer, the UK stores group, yesterday announced it had withdrawn a small batch of clothing, after it was discovered that the products had been incorrectly labelled as made in the UK, when they had been made in Morocco.

The move comes three days before the broadcast in Britain of a two-part television programme entitled "Saint Michael - has the halo slipped?" which is expected to allege that some of M&S's suppliers are exploiting child labour in developing countries and incorrectly labelling the products as made in the UK.

Mr Denis Desmond, the chairman of Desmond and Sons, one of Northern Ireland's

oldest clothing manufacturers, yesterday "categorically denied" allegations that his Moroccan subcontractor was using child labour. However, the company confirmed that part of a batch of 10,800 pairs of women's pyjamas had been incorrectly labelled as made in the UK, when in fact they had subcontracted the work to a Moroccan company called Sicome. The goods had been recalled. Mr Desmond pointed out that the items were "less than a tenth of one per cent of our total output".

He said: "We have our own technicians at the factory, three expatriates, monitoring production, and I totally refute the allegations."

"We take full responsibility for what happened and we agreed with Marks and Spencer the best thing to do would

be to take the garments off display."

Desmonds, which had sales of £104.7m (£161.2m) in 1995, is an exclusive supplier to M&S, even enjoying a computerised inventory link so that the fac-

tory at Claudy, near Londonderry, knows what lines are in demand in M&S stores throughout the UK. In London, M&S said that Desmonds had made a "genuine mistake".

IPNA 3 NV, in liquidation

The liquidator of IPNA 3 NV has informed the undersigned that after payment of all known creditors of the company an amount of US Dollars 6,027,714.91 is available to the shareholder and that he will make the mentioned amount available to the undersigned on January 15, 1996.

As 27 986 depository receipts are outstanding, the undersigned will make available to the depository receipt holders as per January 15, 1996 an amount of US Dollars 215,811 per depository receipt against delivery of the original certificate and detailed payment instructions at our offices.

The creditors of the company include a holdback amount for Corporate profit tax. The company has not received all final assessments yet. The review and approval of the undersigned by the Corporate Tax authorities has not yet been completed. The undersigned will be informed as soon as IPNA 3 NV is liquidated. In liquidation the undersigned that the assessments are final and if a second distribution will be made. The above mentioned detailed payment instructions will be used for this possible second distribution.

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Forte bid awaits Monday decision

By Scheherazade Doneshkhlu and Raymond Snoddy

Granada will decide at a board meeting on Monday afternoon whether to continue its increasingly bitter £3.5bn takeover bid for Forte, the UK's largest hotels group. It is expected to be a close decision.

"Nothing will be decided until Monday afternoon at the earliest," Mr Gerry Robinson, chief executive said yesterday. The TV, catering and leisure group has until Tuesday to raise its bid.

Institutional shareholders in Granada and Forte yesterday expected an

increased offer, particularly of the cash element, but some said there was a risk Granada might overpay. Many were impressed by Forte's defence and thought the final outcome would be close.

When Granada launched a hostile bid for London Weekend Television in 1993 it increased its bid by enough to win. But last year it pulled out of talks to buy the contract catering business of Accor, the French hotel and catering group.

One shareholder in both companies said that Granada, which has not yet responded to Forte's final document

released Tuesday, had to convince the City that the takeover was the right thing to do. Given the speed with which Forte had reacted, "there might be a lot in it for Granada to walk away".

However, another dual shareholder doubted Granada would let its offer lapse. "It's very difficult for a bidder to walk away from a target even when it ought. Another thought that if Granada did walk away, they'll look stingy or lacking the courage of their own convictions".

Granada is offering four shares plus £23.25 cash for every 15 Forte shares, worth \$25p a share at last night's close.

There is a fully underwritten cash alternative of \$21.67p.

One Granada shareholder said that if the company raised its bid to between 370p and 380p, "that would be just about OK". Another said that its decision would be swayed by the returns Granada thought it would give its shareholders at that price, and its plans if it did not win.

As the bid enters its crucial stages there is no sign of a deal being brokered between the two sides. The acquisition will either go ahead in its entirety or it will not according to senior Granada executives.

Changing sentiment puts bid in doubt

It is one of the more remarkable changes of City sentiment in the middle of a takeover battle.

Just six weeks ago, when Granada launched its hostile £3.5bn bid for Forte, the hotels group seemed to stand a poor chance of retaining its independence. It had a lacklustre profits record, some analysts criticised its management for tardiness in restructuring and the opening offer from the highly regarded Granada team seemed pitched at a reasonable price.

Yet this week, when Forte presented a well received defence document to investors, it became clear that the mood had switched. Many in the City now think Forte has a reasonable hope of escape.

Some of the credit must go to Sir Rocco Forte, the chairman, who has assembled a strong team of financial advisers and been willing to push through a sweeping restructuring.

However, two other figures have played particularly important roles behind the scenes. Mr Keith Hamill, right, Forte's 42-year-old finance director is one of three men on a sub-committee of the board overseeing the defence, along with Sir Rocco and Sir Anthony Tennant, non-executive vice-chairman. He played an especially large role in developing this week's defence document.

The other is Mr Roberto Mendoza, vice chairman of JP Morgan, the blue-chip US bank and a friend of Sir Rocco from their school days. He built up Morgan as a force in Wall Street takeovers during

Martin Dickson reports on Forte's effective defence to Granada's hostile £3.5bn offer

the 1980s and was brought in as a special adviser by Sir Rocco.

Central to the improvement in Forte's chances has been its willingness to sell assets representing almost half the group's turnover, including its restaurants, the sporting goods retailer, and its ability to find buyers at respectable prices for most of these businesses in just a few weeks.

The rump Forte will be a "pure hotels" group - a contrast to the diversified Granada - and the disposals would fund the largest share buy-back in UK corporate history. Improving cyclical prospects for hotels has also allowed Forte to commit itself to dividend increases of 20 per cent a year over the next three years.

Granada argues that this burst of activity is purely a response to its bid, underlining the poor quality of Forte's management. Mr Gerry Robinson, Granada's chief executive, quips that the group has produced more strategy "in 10 days than in 10 years". Other critics wonder whether Mr Mendoza has played the role of eminence grise in setting Forte's new agenda.

Mr Hamill says this is unfair. He points out that long before the bid, Forte had slimmed from four divisions to two. He insists that "we have ended up with what Rocco wanted in the first place" albeit somewhat

faster than planned.

Whatever the truth, speed in executing the disposals has been crucial to improving the group's credibility. The task has fallen largely on Forte's own executives, Mr Hamill's finance department and the legal department, aided by three City law firms.

The finance team also had a heavy burden in preparing the defence document, which was unusually detailed in its description of the rump hotels business.

The finance team worked 14-hour days, six or seven days a week for a month to meet the deadline. Mr Hamill points out that many of them are young, in their early 30s. "It's a great advantage to have people who don't need much sleep."

His own background has helped prepare him for a takeover fight. A stocky, bespectacled man with a keen sense of humour and down-to-earth manner, he was educated at Nottingham University, where he read politics and was president of the students' union. He has a reputation as a demanding manager and a workaholic.

He joined accountants Price Waterhouse from university, rose to partner, and worked as an auditor on the Guinness account at the time of its 1986 bid for Distillers. He was called as a witness in the subsequent trial of Mr Ernest Saunders,



the former Guinness chairman, over the conduct of the bid.

He was recruited to Guinness itself in 1988 by Sir Anthony Tennant, then chairman of the drinks company, and rose to be finance director of United Distillers, its spirits subsidiary, before joining Forte as finance director in September 1993.

Mr Mendoza appears to have played at least three important roles. One has been co-ordinating the huge advisory team, which is led by SBC Warburg and includes Morgan Stanley, the US investment bank, and brokers UBS and Cazenove.

Mr Hamill acknowledges that in the first days of the bid there was confusion in the Forte ranks like "being on the Titanic when the iceberg

struck". Now, he says, the team is working extremely smoothly.

Mr Mendoza has also been generating ideas. As he has little experience of the UK takeover business, these are thought to have included questioning of the traditional British assumptions about bid tactics.

And he seems to have generated confidence in the Forte camp. Mr Hamill reckons an important point came when a newly arrived Mr Mendoza told his first defence team meeting that "it was perfectly possible we would win".

He may be proved right. But the ball is now in Granada's court, and much will depend on the strength of its return next week.

Merrill Lynch to move into Spanish broking

By Tom Burns in Madrid

Merrill Lynch, the US investment bank, is poised to take a leading position in Spain's securities business through a strategic alliance with FG, the biggest independent broking and asset management firm in the domestic market.

The agreement, which could involve a stake in FG's equity and an investment by Merrill Lynch of between \$10m-\$20m, reflects the US bank's strategy of "being global and local".

Merrill Lynch, which last year took over UK brokers Smith New Court, is seeking to take strong positions in local markets to complement the thrust of its worldwide securities business.

The Spanish move amounts to Merrill Lynch setting itself up as a fully fledged domestic securities firm competing directly with the leading local houses. It is understood that

similar moves are planned in France, Germany and Italy.

Merrill Lynch is said to be confident the alliance will be in place before the end of this month.

However, the Spanish firm, which is majority-owned by its founder and chairman Mr Francisco Gonzalez and by its top managers, said: "We have made no decision on anything and we'll have to see what will happen in the future."

FG, which has 140 staff, was ranked fourth among Spanish broking houses in 1995, after the firms owned by the big retail banks Banco Bilbao Vizcaya, Banco Santander and Argentaria. It gained 6.9 per cent of the total trading volume last year on Madrid's Bolsa. Some 20 per cent of the foreign funds channelled into Spanish equities and fixed income last year were handled by FG.

Merrill Lynch has a well-established private banking

business in Madrid and was the global co-ordinator in the \$1.34bn placement last October of shares in Telefonica, the Spanish telecoms group.

The US bank is particularly interested in FG's leading role as a trader in the domestic fixed income secondary market and in the Spanish firm's high trading volume in the Bolsa's blue chips.

An alliance with FG would complement Merrill Lynch's co-ordinating role in Spanish privatisations, by allowing the US bank access to the flow of domestic funds on an equal footing with BBV, Santander and Argentaria.

The second attraction of FG for Merrill Lynch is the strong position the Spanish firm has in asset management. Spanish institutional funds total some \$100bn in mutual funds and a further \$100bn in pension funds. This market is regarded as having great potential. See Lex

US dents Delhaize sales

Delhaize, the Belgian supermarket group, incurred a 3.3 per cent decline in sales last year as a result of the sluggish dollar, AP-DJ reports from Brussels.

Sales fell to BF368bn (\$12.3bn) from BF381bn the previous year. The company noted, however, that sales were up 5.6 per cent on a constant currency basis. Delhaize posts a large part of its turnover in the US at its Food Lion unit.

It also said it expected consolidated operating profit to show an improvement for 1996, compared to 1994, on the basis of constant currencies.

In local currencies, sales in Belgium advanced 5 per cent to BF103.4bn. US-based Food Lion raised turnover by 3.5 per cent to \$2.2bn, but Super Discount Markets, another US unit, was down 1.8 per cent to \$293m.

Among the group's smaller units, FG of France boosted sales 9 per cent to FF1.96bn (\$394m).

Alfa-Beta of Greece registered a 25 per cent advance to Dr11.57bn (\$541m). Delvita, a Czech affiliate, increased turnover by 54 per cent to K22.4bn (\$90m).

The Belgian supermarket group said it had opened 88

new stores worldwide last year, and would add a further 104 in 1996.

In spite of the sales slide at Super Discount, Delhaize said it expected the Atlanta-based unit to post a profit for 1996.

This year, investments in the Belgium home market are expected to reach BF2.2bn, the group said. In Greece, France and the Czech Republic, some 20 supermarkets will open their doors during the year, as well as two distribution centres.

Delhaize also expects to pay a dividend this year that exceeds last year's BF723 a share.

Rexam enters 'final furlong' in search for management team

By Patrick Harverson

Rexam, the printing and packaging group, has found a new chief executive and chairman, ending a difficult 18-month-long search for successors to its outgoing management team.

However, the group has not yet cemented a deal with its new chief executive because of complications in negotiating a departure from his current company. He is believed to be a continental European working in the packaging industry.

There are no complications involving the appointment of the new non-executive chairman. Rexam remains hopeful that it will be able to unveil the twin appointments very soon, possibly as early as next week. Rexam said last

night it was in "the final furlong" of its search.

The successful and to the long search for successors to the current chief executive Mr David Lyon and the outgoing chairman Mr Michael Woodhouse - who step down in June - will place the City, which has been concerned that Rexam's difficulties in finding a new management team would hamper its ability to steer a path through its present problems.

In the past four months the group has made two separate profits warnings because of deteriorating conditions in its main markets, and has seen its shares lose more than 40 per cent of their value.

Rexam said: "The result, once the two individuals backgrounds have been understood, is as good as we could have hoped for."

OIS says Abbot bid discounts potential

By Tim Burt

OIS International Inspection, the industrial testing company, yesterday accused Abbot Group of trying to buy it "on the cheap" with its £7.8m hostile bid.

OIS said the all-paper offer by Abbot, the oil and gas services group, failed to reflect its recovery potential.

Abbot last month offered one share for every two OIS, with a cash alternative of 244p. OIS shares were unchanged yesterday at 25p, the level they reached after a 7p jump following the bid announcement.

Mr Michael Rendle, OIS chairman, said the bid offered an insufficient premium to asset value given the company's client base and staff skills. "They already know that we

have put in place action enabling us to carry on through the bottom of the cycle and exploit the upturn when it comes," he said.

OIS said it had made a significant - although undisclosed - investment in new technology and staff, aimed at bolstering its technical inspection services for the construction, petrochemical and power generation industries.

Nevertheless, Mr Rendle admitted that trading conditions remained difficult. Abbot dismissed OIS's stance, outlined in a letter to shareholders. "This response does not deal satisfactorily with the issues highlighted in the Abbot offer document and the directors continue to urge OIS shareholders to accept the offer," the company said.

Philip Green sells O&R stake to consortium

By Neil Buckley

Mr Philip Green, chairman of the Xpoxions discount chain, has sold his stake in Owen & Robinson retail group currently in administration, to a consortium of investors headed by Mr Maurice Dwek, former Owen & Robinson chairman.

The consortium plans to launch a rights issue to refinance the company and take it out of administration. Mr Green, who last month acquired the Olympus sports chain from Sears together with Mr Tom Hunter, owner of the Sports Division chain, has sold

both his 16 per cent stake and the £5.5m of debt he acquired last July. He is thought to have made a small profit on the deal.

Mr Dwek has agreed proposals for a company voluntary arrangement with creditors and shareholders, which include a refinancing. That should enable Owen & Robinson to come out of administration and end the suspension of its share listing - which began last July when the company said the closure of its loss-making 60-strong chain of jewellery shops was costing more than expected.

Squabble over takeover tables

The annual takeover league tables are supposed to establish which investment bank is cock of the walk, writes George Graham.

But this year's tables from IFR Securities Data have set feathers flying, as the king-sized egos inhabiting the mergers and acquisitions departments of the big US and European investment banks squabble over who should get credit for which deal.

At the heart of the dispute is Lloyds Bank's takeover of TSB, a blockbuster merger which adds £10bn to the tally of any adviser with a finger in the pie.

By general agreement, the principal adviser for Lloyds Bank was Baring Brothers, now the corporate finance arm of ING. By equally general consent, TSB's financial adviser was JP Morgan, whose financial institutions specialist, Mr Terry Eccles, dreamt up the deal. But Morgan Stanley had been TSB's adviser

of record, and the US investment bank was asked to give a valuation opinion to soothe its hurt feelings. That was enough for IFR Securities Data, which added the deal to Morgan Stanley's tally.

Even more irritatingly for JP Morgan, which has been steadily building its European M&A franchise over the past five years and thought it was poised to top the league table in 1995, TSB was enough to propel MS into first place for takeovers with a European target.

The table shows Morgan Stanley first with 31 deals valued at \$45.7bn (\$29.6m), while JP Morgan also advised on 31 deals valued at \$40.3bn. They edged out Barings, Goldman Sachs, Lazards and SBC Warburg.

Morgan Stanley also topped the table for worldwide takeovers, with 149 deals valued at \$132.5bn, ahead of Goldman, CS First Boston, Lazards, Salomon and JP Morgan.

Enlarged Welsh Water to resist separate listing

By Peggy Hollinger

Welsh Water yesterday said it would strongly resist any attempt by the industry regulator to seek a separate listing for the water business, following its takeover of South Wales Electricity.

Mr Graham Hawker, chief executive, said a separate listing was "impractical and undesirable for both shareholders and customers".

Floating the water utility would "inhibit efficient management" and could reduce savings from combining the businesses.

Mr Hawker said Welsh Water had agreed to all license amendments desired by water and electricity regulators.

These included providing information on trading between the two businesses and on the management company to run common services such as customer inquiries.

The Office of Fair Trading will decide whether it believes the bid should be referred after consultations with the regulators.

It is expected to give its advice to the trade and industry secretary, who makes the final decision, by January 25.

The cup of cheers or tears?

The "Romance of the Cup" returns to the west country today when Hereford United of the third division host Tottenham Hotspur of the Premier League in the FA Cup third round.

While the London club's supporters will be anticipating the fixture with mixed feelings given the cup's history of upsets, shareholders in Tottenham Hotspur plc will also be approaching the game with some trepidation.

Humiliating FA Cup defeats often lead to calls of "back the manager", but for publicly quoted clubs defeats can lead to a call of a very different kind - "sell the shares".

In the past few months Tottenham's share price, like its team, has performed very well, reaching an all-time high of 330p yesterday. The shares have been buoyed by the performance of a team which has climbed the Premier league on a string of good results that culminated in last Monday's 4-1 mauling of second-placed Manchester United.

Yet when the game kicks off this afternoon, Tottenham's shareholders will worry that defeat might bring the recent impressive advance of their shares to an abrupt halt.

For there is more than footballing pride at stake in the FA Cup. The sport's premier domestic knockout competition can generate handsome extra profits for clubs which progress through to its later rounds. A good cup run means higher gate receipts, television revenues, and merchandise sales, and victory in the final leads to lucrative appearances in European competition. Missing out on this financial wind-

Patrick Harverson on why today's game is crucial for Tottenham

fall is a big blow.

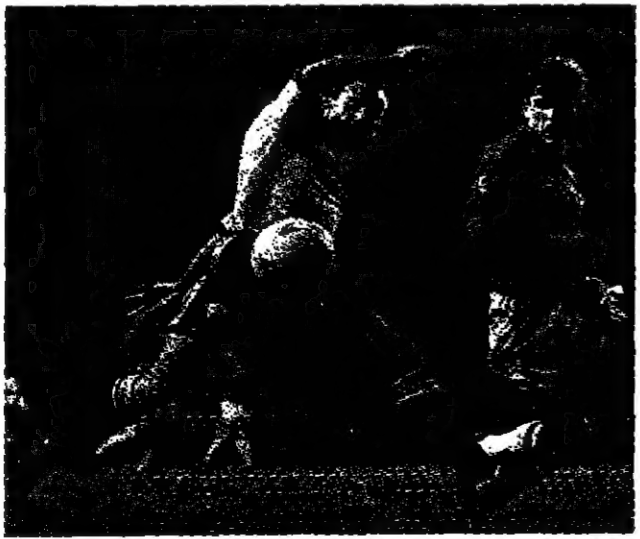
Tottenham shares are especially vulnerable to match defeats because their recent rise has been achieved primarily on the back of positive results in the league.

Since late September, the team has lost only twice in 17 games, and has climbed from mid-table to fourth. In that period, the shares have risen almost 60 per cent.

However, another factor buoyed the shares during this period: speculation that Mr Alan Sugar, Tottenham's chairman, would sell part of his 50 per cent stake in the club. Marketmakers say such a move would make it easier for prospective buyers to get hold of the shares, which are currently in short supply because they are held by a small number of individual and institutional shareholders.

Yet, analysts and executives at the club agree there is one other reason why Tottenham is making such large gains on the stock market. They believe City institutions are learning to view football clubs as good investments.

Mr John Sedgwick, the club's finance director, says Tottenham recently began entertaining potential investors at its White Hart Lane ground. It wanted to show them that the image of football as a dull sport played in tatty



Shares have been buoyed by a string of good results on the field

stadiums in front of violent crowds was outdated. He says many of the visitors were surprised at the quality of the modern 38,000-seater stadium, the extensive corporate entertainment facilities and the positive atmosphere among the crowd.

Mr Sedgwick says: "A lot of fund managers have not been to a football game for years. Some of them are particularly impressed by the stadium... it changes their opinion of football."

Mr Lee Collins, director at Collins Stewart, Tottenham's broker since September, agrees. "The image everyone has of the game was when they went to football matches as a 15 year-old. They go into Spurs and other new stadiums and realise it's quite a different game from the one they used to remember."

Treating fund managers to a visit to the ground and a meal on matchdays has already paid dividends for Tottenham, says Mr Collins. "A year ago they had one and a half institutional shareholders. Now they have got six or eight. [The shares] are becoming a proper institutional investment rather than something the supporters have a few hundred of each."

To an investor, Tottenham appears to be a stock with growth prospects. Profits last year rose sharply to £5.35m (\$855,000) on turnover of £26m (\$22.3m), and this year they are forecast to reach about £6.5m, not including gains on player transfers.

Forecasting football club profits, however, is an inexact science and much depends on the team maintaining its good form - starting with today's crucial game.

John Lewis has record Christmas

By Neil Buckley

John Lewis Partnership, the employee-owned department stores and Waitrose supermarkets group, gave a boost to the retail sector yesterday with news of a record Christmas.

Sales in the week to December 23 in its 23 department stores were up 30.1 per cent on the previous year, at £57m - after increases of 12.7 per cent and 14.3 per cent in the preceding two weeks. Sales in the Waitrose supermarket chain were up 13.7 per cent at £48m.

For the week to December 30, department store sales were slightly ahead but Waitrose sales were up 29.7 per cent.

Wm Morrison, the Bradford-based supermarket group, said like-for-like sales in December were up 4.3 per cent.

TeleWest departure

TeleWest, the biggest UK cable communications company, announced yesterday that Mr Danny Bryan, its chief operating officer and a director of the company, had resigned with effect from January 1.

RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Adelphi	6 mths to Sept 95	8.97 (0.02)	0.035 (0.12)	0.2 (1.1)	-	-	-	-
Midland Red	6 mths to Sept 95	0.027 (0.12)	0.01 (0.12)	0.1 (1.1)	-	-	-	-
Westpac	6 mths to Oct 95	7.77 (0.40)	0.01 (0.14)	0.01 (0.12)	0.1	-	-	-
Investment Trusts	6 mths to Nov 95	12.22 (0.05)	0.33 (0.27)	4.52 (3.7)	3.375	3.375	-	7.975

Figures shown basic. Dividends shown net. Figures in brackets are for corresponding period. £4m stock. *Comparatives for year to March 91.

Congratulations Audi,
BMW and Lotus
on your prestigious awards
by AutoWeek.
Our Opel
Vectra team
could hardly
be in better
company.

Winning international awards for excellence is a heart-warming, but quite familiar experience for our engineers and designers. In fact, they can point to some five dozen major awards, just in the last three years. Naturally, further acclaim is always welcome to our team – as it is to Opel customers, who can be even more certain that they've made a wise choice.

This time, it was our brand new Vectra that won its first trophy: influential AutoWeek

magazine selected it as "the most significant" car at the Frankfurt International Motor Show. That's good news, especially as we shared the honours with three other highly respected names in the car business: Audi, BMW and Lotus. Each one was cited for a different aspect of automotive excellence.

So, bravo to our fellow award-winners and the Opel Vectra team for another great job. As we're sharing the honours, we'll happily share the

champagne. It's due to flow this week, during the official AutoWeek trophy presentation at the Tokyo Motor Show.

Cheers!

OPEL 

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Gold gets off to a flying start

The gold market made a flying start to the new year as US-based investment funds rediscovered their taste for the precious metal.

On the London bullion market the gold price burst through the upper end of last year's restricted range to prepare the ground for a possible assault on resistance at \$400 a troy ounce.

"Everyone is very, very positive," one dealer told the Reuters news agency yesterday, after the price had peaked at \$397.50 an ounce. It retreated to close at \$396.10, up \$2.50 on the day and \$9.05 on the week, but dealers and analysts said the market still had the key \$400 mark in its sights for next week.

If that level were breached, they suggested, covering purchases by writers of options at that level could provoke an explosive price rise. Recently, there had been interest in options at strike prices at \$430 and even \$450 an ounce, one trader said.

First, however, the price has to break the \$390 barrier, above which substantial producer selling is expected to appear. And physical demand, which remained stagnant during this week's fund-driven rise, could fall off if the price rose much further.

Rhona O'Connell, analyst at stockbrokers T. Hoare and Company, noted that \$406 an ounce was the level at which physical support stopped during the 1992 rally. The 1992 peak of \$409 would be another critical level, she told Reuters.

It was a very different story

at the London Metal Exchange, where analysts were trying to predict where the current copper price slide would bottom out.

Fulfilling last December's gloomy auguries, the three-month price plunged to a 14-month low of \$2,520 a tonne at one point on Thursday and closed yesterday at \$2,555.50, down \$15 on the day and \$103 on the week.

Another big fall in LME stocks took the total to the highest level since December 1994, and traders said that while that trend persisted a rest of Thursday's low would remain on the agenda.

The only factor supporting the market was the continuing nearby tightness, which widened the cash premium over three months metal to \$187 a tonne, well below the \$300 level reached late last year but still substantial enough to discourage operators from selling the market short, dealers told Reuters.

Other base metals followed copper's lead, notably aluminium, which, until this week had been showing some resilience. The three-month price bounced by \$10 yesterday - helped by news of a smaller-than-expected stocks fall - but still ended \$61 down on the week at \$1,643.50 a tonne.

Nickel prices also ended well from the lows. The three-month position dipped to \$7,455 a tonne on Wednesday but closed yesterday at \$7,720, down \$310 on the week.

At the London Commodity Exchange robust coffee prices remained under pressure, despite concern about cold weather and heavy rain in Central America and Brazil.

As producer selling, mainly by Vietnam and the Ivory Coast, supported an attempted rally the March delivery price ended the week at \$1,794 a tonne, down \$35 overall but well above Wednesday's life-of-contract low of \$1,664.

Nearby supply tightness was still in evidence, with the premium for the prompt January position ending at \$156 a tonne, little changed on the week.

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp Metal Trading)

ALUMINIUM, 99.99% (p per tonne)

Cash 1634.50 1634.50

Previous 1619.13 1633.34

High/Low 1614/1627

AM Official 1629.94 1635.50

Karb close 1635.50

Open int. N/A

Total daily turnover N/A

ALUMINIUM ALLOY (p per tonne)

Cash 1435.40 1470.75

Previous 1430.30 1460.55

High/Low 1420/1470

AM Official 1455.22 1455.22

Karb close 1455.22

Open int. N/A

Total daily turnover N/A

LEAD (p per tonne)

Cash 690.52 694.55

Previous 685.15 685.65

High/Low 685/690

AM Official 686.57 686.57

Karb close 686.57

Open int. N/A

Total daily turnover N/A

NICKEL (p per tonne)

Cash 7715.25 7830.40

Previous 7610.20 7830.40

High/Low 7610/7830

AM Official 7650.20 7650.20

Karb close 7650.20

Open int. N/A

Total daily turnover N/A

ZINC, special high grade (p per tonne)

Cash 1025.15 1025.33

Previous 997.98 1025.33

High/Low 997.98/1025.33

AM Official 1001.15 1025.33

Karb close 1001.15

Open int. N/A

Total daily turnover N/A

COPPER, grade A (p per tonne)

Cash 2740.45 2555.50

Previous 2755.50 2570.71

High/Low 2730/2555.50

AM Official 2750.35 2540.40

Karb close 2540.40

Open int. N/A

Total daily turnover N/A

LME Official 2/8 ratio 1.5487

LME Closing 2/8 ratio 1.5487

Spot 1.5525 3 mths 1.5487 6 mths 1.5487 9 mths 1.5419

HIGH GRADE COPPER (COMEX)

Cash 2740.45 2555.50

Previous 2755.50 2570.71

High/Low 2730/2555.50

AM Official 2750.35 2540.40

Karb close 2540.40

Open int. N/A

Total daily turnover N/A

LME Official 2/8 ratio 1.5487

LME Closing 2/8 ratio 1.5487

Spot 1.5525 3 mths 1.5487 6 mths 1.5487 9 mths 1.5419

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LME Closing 2/8 ratio 1.5487

Spot 1.5525 3 mths 1.5487 6 mths 1.5487 9 mths 1.5419

HIGH GRADE COPPER (COMEX)

Cash 2740.45 2555.50

Precious Metals continued

WHEAT LCE (p per tonne)

Cash 122.50 122.50

Previous 122.50 122.50

High/Low 122.50/122.50

AM Official 122.50 122.50

Karb close 122.50

Open int. N/A

Total daily turnover N/A

WHEAT LCE (p per tonne)

Cash 122.50 122.50

Previous 122.50 122.50

High/Low 122.50/122.50

AM Official 122.50 122.50

Karb close 122.50

Open int. N/A

Total daily turnover N/A

WHEAT LCE (p per tonne)

Cash 122.50 122.50

Previous 122.50 122.50

High/Low 122.50/122.50

AM Official 122.50 122.50

Karb close 122.50

Open int. N/A

Total daily turnover N/A

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High/Low 122.50/122.50

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High/Low 122.50/122.50

AM Official 122.50 122.50

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Previous 122.50 122.50

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Open int. N/A

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Cash 122.50 122.50

Previous 122.50 122.50

High/Low 122.50/122.50

AM Official 122.50 122.50

Karb close 122.50

Open int. N/A

Total daily turnover N/A

WHEAT LCE (p per tonne)

Cash 122.50 122.50

Previous 122.50 122.50

COMMENT & ANALYSIS

FINANCIAL TIMES

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Saturday January 6 1996

Fiscal crisis of the state

The US has one, Europeans have one and now even Japan has one. What do they all have? A serious fiscal problem. This is the theme of the decade, one that will shape the rhythm of financial life and form the cacophonous background sound to political debate in almost every industrial country.

In the US this week, hardline Republicans in the House of Representatives warned Mr Robert Rubin, the treasury secretary, that he could face penalties, if not impeachment, should he continue to take extraordinary actions to avoid a default on US public debt. This notion may be difficult to take in the first time. Try again.

Meanwhile, the servants of the world's most powerful country are working unpaid. As Mr Robert Dole, the Senate majority leader caustically remarked, "there are not many rich people working for the federal government; they have mortgages to pay, vacations to plan". Yet even if there were a temporary agreement to keep the government at work, this would not resolve the underlying conflict, let alone deliver a balanced budget. As Mr Stephen Roach of Morgan Stanley argued in the FT this week, "the best we are likely to see is a plan based on back-loaded spending cuts, front-loaded tax cuts, immunity for social security and dubious economic assumptions".

The US provides farce: Europe offers folly. The Maastricht treaty's fiscal criteria are, it appears, to be applied to 1997 data without cyclical adjustment. Consequently, virtually every country is committed to cutting its fiscal deficit, willy nilly.

France looks like a dog chasing its own tail. Mr Alain Juppé's government may have survived the challenge on the streets to its measures to slash the social security deficit. So, on the whole, have the measures. But partly because of the strike, partly because of the fiscal squeeze and partly because of the general slowdown in the European economy, the French economy is expected to expand by 2 per cent, or less, between 1995 and 1996. It could be far less.

Missing the target

If growth were to be as slow as many fear, the fiscal measures now in place would probably fail to deliver the target general government deficit, which is 3 per cent of GDP, by 1997. The government would then presumably feel compelled to introduce another restrictive budget, at a time of, at best, stagnant and, at worst, rising unemployment.

Yet France is far from alone in its difficulties. Even Germany is

teetering on the border between success and failure in meeting the Maastricht criteria. If it were to join France, Italy, Spain and most smaller countries in further fiscal tightening, an outright European recession could not be ruled out. Most surprising of all, even Japan has fallen into a fiscal trap. This is not obvious in the conventionally measured fiscal deficit, which was only about 4 per cent of GDP last year, or in the ratio of net financial liabilities to GDP, which was a mere 11 per cent.

Realistic indicator

Yet some estimate that the true fiscal deficit is double the official figure, while the low ratio of net debt reflects an accumulated social security surplus that will run down quite rapidly as the population ages. For this reason the gross debt ratio, already 83 per cent in 1995, may be a rather more realistic indicator of Japan's long-run debt position.

To this ought to be added at least a part of the bad debts of the banking system. True, strong popular objections to the proposed ¥685bn (£4.36bn) bailout of the housing finance institutions, or *Jusen*, suggests the Japanese government may not be allowed to provide much of the needed official assistance. Unfortunately, economic recovery would then be hobnobbed.

Stock markets have shrugged off these fiscal woes. They are probably right to have done so, since most of the economic fundamentals are healthy, notably the ongoing liberalisation, low inflation and dynamism of Asian developing economies.

Yet these fiscal difficulties will not go away. The overall ratio of government spending to GDP in industrial countries stabilised in the early 1980s. It did so, however, at levels that individual governments were unable, or unwilling, to cover by taxation. This was so largely because in each country, if at different levels, voters had reached the limit of tolerable taxation. The resulting fiscal deficits, compounded at strongly positive real interest rates, increased the ratio of gross public debt to GDP, from 41 per cent in 1980 to 72 per cent in 1995. Unfunded pension promises ensure there is worse to come almost everywhere.

Governments will be punished if they inflate their way out of their quandary; they will not be permitted to tax their way out; and their economies will probably not grow out of it either. What is left is just to wait away uneasily as the promises made in an earlier, happier era. No wonder politicians are so unpopular.



Head-to-head combat: Ichiro Ozawa (centre) and Ryutaro Hashimoto (right) will fight each other for the premiership following the resignation of Tomiichi Murayama

Fierce follow-the-leader game

The resignation of Japan's prime minister opens the way for warfare between the two most powerful politicians, says William Dawkins

Mr Tomiichi Murayama, Japan's septuagenarian prime minister, yesterday chose a poetic image worthy of a Zen master to bid farewell to the Japanese public.

Gazing into a clear blue sky on new year's morning, the former fishing union official felt inspired, he explained to an astonished nation, to give himself, the government and the people of Japan a fresh start.

Mr Murayama chose yesterday for the public announcement of his resignation. He had earlier informed Mr Ryutaro Hashimoto, president of the Liberal Democratic party, the dominant partner in Japan's governing three-party coalition, and the most likely candidate to succeed him.

"I was chased by one incident and accident after another," Mr Murayama reflected. He leaves after 18 of the most turbulent months in modern Japanese history - a period which has included an earthquake, an upsurge in urban terrorism and financial and economic disaster.

Mr Murayama was widely expected to step down - though not as early as this - if only because his position had become untenable. He had been criticised for ineffective leadership and was deeply unpopular with his own leftwing Social Democratic party following his acceptance of an invitation, in June 1994, to join an alliance with the arch-enemy, the conservative LDP.

On several occasions recently he had warned the Liberal Democrats he was becoming exhausted. Each time, they persuaded him to stay, conscious of the value of the Social Democratic party's 63 seats in maintaining the coalition's 39-seat parliamentary majority.

But this time, Mr Murayama argued that the new year lull, before the start of the next regular parliamentary session on January 22, was a good time to go - and the LDP was unable to stop him.

There will be few policy changes in the wake of Mr Murayama's retirement: the main planks of present policy - high public spending, low interest rates and gentle deregulation, leavened with more assertive foreign diplomacy - were formulated, after all, by the LDP.

But his retirement clears the way for open warfare between the two most powerful men in Japanese politics - Mr Hashimoto, 58, and Mr Ichiro Ozawa, 53, a master strategist who was elected last month as president of the opposition New Frontier party.

The two men have been rivals behind the scenes since their careers started in the late 1960s when both were in former prime minister Kakuei Tanaka's faction of the LDP, modern Japan's greatest political dynasty.

Since then, Mr Ozawa has recreated himself, changing from manipulator of party factions and virtuoso of money politics, into crusader of reform. Mr Hashimoto, meanwhile, has capitalised on Mr Ozawa's defection from the Liberal Democrats three years ago, to seize the party crown almost uncontested, and to come within close reach of the prime ministership.

For foreign investors and business executives, their rivalry will mark an important stage in Japan's evolution into a more open economy, less obscured by behind-the-scenes bargaining between politicians and bureaucrats. The new government, under attack from the recently promoted Mr Ozawa, may be forced to clarify and justify its hitherto muddy economic and financial policies.

Its weakest point is the unpopular allocation of more than ¥685bn (£4.4bn) of public money towards liquidating bankrupt housing loan companies, or *jusen*.

Mr Ozawa is too sensitive to the need not to demolish international credibility in Japan's banking system to block the *jusen* plan entirely. It must be approved by

parliament by the end of March. But the New Frontier president, who has promised to hit the issue hard in parliamentary hearings later this month, will give Mr Hashimoto an especially rough ride in the knowledge that his rival is vulnerable on the subject.

As finance minister from 1989 until 1991, Mr Hashimoto decreed that banks must stop increasing loans to the *jusen*, but permitted agricultural co-operatives to continue lending to them, for what turned out to be excessive property speculation.

These co-operatives were the main beneficiaries of last month's proposed bail out for *jusen* creditors. While politically powerful, the co-operatives are unpopular with the young urban voters who form the backbone of New Frontier's support.

Mr Ozawa is bound to seek a price for his acquiescence in the *jusen* plan. That may well be the head of Mr Masayoshi Takemura, the finance minister, who yesterday hinted that he did not expect to get his job back under the new prime minister. A new government without him would not be certain of the support of Mr Takemura's small new Harbinger party, which holds 22 seats in the lower house.

Worse, Socialists who already detested the *jusen* plan might come

to detest it even more now that Mr Murayama has stepped down.

The more combative period opened by Mr Murayama's resignation thus increases the chances of a general election early this year - a contest which many feel is long overdue. Senior LDP officials yesterday indicated that the government might even choose to dissolve parliament as early as next month, before approval of this year's budget.

That would please senior Japanese businessmen, in spite of the instability on financial markets that a budget delay would cause. Their first reaction to Mr Murayama's resignation was to drop their habitual reticence and call for a snap election. In the hope of replacing the three-party alliance of socialists and conservatives with a more coherent alternative. "It is impossible for a three-party coalition to carry out the kind of structural reforms which Japan needs," says Mr Takashi Imai, president of Nippon Steel, the world's largest steel producer.

Whatever its outcome, the election will mark another step in a tortuous realignment from the old system of one-party LDP rule, towards a two- or three-party system in which policies may be more sensitive to voters' aspirations. The LDP may well hold nearly as firm a grip over the new system as the old. But, thanks to a reform of electoral rules and controls on

party political fund raising passed by Mr Murayama's government, all politicians will be obliged to compete harder for seats on the strength of their policies, rather than through patronage.

The new phase of political turbulence will begin next Thursday when the Murayama cabinet will resign, to prepare the way for a parliamentary vote by all MPs to choose a new prime minister. It is likely, but by no means certain, that Mr Hashimoto, who has the formal support of his party, will win that vote. He yesterday wasted no time in stating his willingness to take on the prime ministership.

Mr Ozawa is widely expected to stand against his old rival. Millitating against Mr Hashimoto's chance of success, is the risk that many members of Mr Murayama's Social Democratic party will defect or abstain in the vote. They never liked the alliance with the Liberal Democrats or Mr Murayama's eagerness to please the LDP by abandoning most of his party's policies. However, the LDP has calculated that Mr Hashimoto might well win enough votes even after defections from the Socialist party.

To compensate for any Socialist defections, Mr Hashimoto can count on a deepening split in the New Frontier party. The NFP is split between followers of Mr Ozawa and those loyal to Mr Tsutomu Hata, a former prime minister who lost heavily to Mr Ozawa in last month's leadership poll. Some of Mr Hata's followers have indicated that they will abstain in next week's vote.

One thing is clear - both Mr Hashimoto and Mr Ozawa are eager for an early general election, well before the July 1997 deadline. Yesterday's events represent another lurch on Japan's progression to a more modern democracy. It is an erratic process and the destination is still in doubt. But Japan's political realignment, so far tortuously slow, now looks as if it will speed up this year.

STRENGTH OF PARTIES IN LOWER HOUSE OF PARLIAMENT

Party	Seats
Liberal Democratic party-Liberal League	209
New Frontier party	170
Social Democratic Party of Japan	63
New Party Sakigake	22
Japanese Communist party	15
Group for Democracy	6
Alliance of Democratic Reformers	3
Independents Club	2
Independents	7
Total number of incumbent members	497

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fax"), e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Implications of Internet access decision

From Mr Christopher J. Airey.

Sir, As both a subscriber to CompuServe and an Internet user, I was very interested in CompuServe's decision to deny access to some parts of the Net to its subscribers ("Internet groups are suspended over porn concerns", December 29).

It may be that it was a commercial decision, taken so as not to lose subscribers. However, I fear that, in acceding to the pressure that it came under, it may in the long run have made a serious

mistake. The decision it has made implies that it may be liable for the material published on the sites by other people, who it most certainly has no control over, unlike within its own service where it does.

It appears, therefore, that it believes that its own responsibility may be that of the newspaper publisher responsible for the content of the paper rather than that of the telephone company which is not, in the UK at least, sued by people who receive obscene

calls or for allowing access over its wires to the many dubious telephone services that are available all over Europe and America.

Conceding that point could cost service providers dear if ever a case came to court.

Christopher J. Airey,
Little Newarke,
Newarke Road,
Good Easter,
Essex CM1 4SA,
UK

Arts centre better than opera house for elite

From Professor Kevin Morgan.

Sir, You rightly made the point ("In praise of elitism", December 27) that access to cultural amenities is a more important determinant of industrial location than access to mineral deposits. You also rightly suggest that regional policymakers in the UK badly need a shot at the "vision thing" by recognising that cultural projects are every bit as important to regional regeneration as new roads and bridges.

You were wrong, however, to argue that the Cardiff Opera House bid, which failed to win favour with the Millennium Commission, should have been defended as an elitist project which would have endeared the city to the economic elites who control investment. There was nothing inherently elitist about this project, save for the fact that it was called an opera house, a name which may prove to be the kiss of death. Far better for it to have been

called a modern arts centre, not least because opera would have taken up just 16 weeks of the year. If this cultural project is to survive it must offer something to all sections of the community, not just the elite.

Kevin Morgan,
Department of city and regional planning,
University of Wales,
Cardiff CF1 3YN, UK

Tradition that separates German and Anglo-American economic practice

From Mr Des McConaghy.

Sir, Judy Dempsey blames Bismarck for Germany's high-cost social welfare system ("Employers count the cost of Bismarck's welfare legacy", December 29). That is only half the story. And while Bismarck did want to beat back the Social Democrats the urgency of his reforms was actually dictated by the phenomenal growth of the German economy.

That in turn was largely due to

the successful economic policies of Friedrich List, who was not only the architect of the German customs union (*Zollverein*) but a passionate opponent of Adam Smith and laissez faire economics. List is therefore not so well known in England as he is in Bonn, Seoul, Osaka and Tokyo! Whereas the Anglo-American traditions emphasise levels of consumption as an ultimate measure of progress, List argued that a country's wealth

is mainly determined by what society can make rather than what it can buy. To that end his support for free trade was heavily qualified by sustained governmental intervention.

So this rather separates the Anglo-American tradition from what has been German-Asian practice. Certainly there are aspects of the new Asian success that may fall short of British ministerial and parliamentary standards.

Nevertheless, there is no denying that it is this mixture of market and intervention that contributes to their success. Perhaps David Willetts, UK minister for public services, or Peter Mandelson, his Labour shadow, ("Leaders for a New Millennium", December 29) should now turn to Friedrich List.

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THE BIG STORIES ABOUT THE SMALL PRINT



This week's Investors Chronicle comes with a 24-page special report to help you spot the hidden costs and pitfalls of even the safest looking investment products. Entitled 'Savings Traps', this essential guide provides a detailed look at what the banks, building societies, investment groups, insurance companies and brokers are really up to.

The fourth edition of our most sought-after report tells the inside story about popular investment and savings schemes - from deposit accounts to mortgages and Peps to

pensions. We put the spotlight on investments and institutions you should treat with caution. And we place glossy brochures, sales literature and the small print under the microscope.

To avoid counting the cost of your savings in the future, you could wisely make a risk-free investment now.

The latest issue of Investors Chronicle - complete with 'Savings Traps' is on sale from 5th January 1996 from your local newsagent. Price £2.00.

INVESTORS CHRONICLE
THE CITY INSIDE OUT

Man in the News • John Kemp-Welch

Epitome of a true insider

John Gapper on the discreet but ruthless Stock Exchange chairman

When Mr John Kemp-Welch joined the eminent stockbroker firm of Cazenove & Co in 1989, he received a note of welcome from one of the younger partners. "I have always enjoyed my short time here and the atmosphere, at times electric, is normally the best of fun," the partner wrote.

In Mr Kemp-Welch's latest job, the atmosphere has also been electric, but rather less fun. As chairman of the London Stock Exchange, he not only coordinated the abrupt dismissal of the chief executive, Mr Michael Lawrence, on Thursday morning. He also had to explain why he had been so ruthless.

Mr Kemp-Welch, used to operating in the discreet environs of Cazenove for most of his working life, looked like a mole who had been dragged blinking into the light as he set about the task at a press conference. He caused bemusement among some reporters by sticking doggedly to his prepared text.

Appointed a year ago after retiring as joint senior partner of Cazenove, Mr Kemp-Welch was not naturally suited to dispelling the suspicion that Mr Lawrence had fallen victim to an old boys' club. With his pin-striped suit and short back and sides, he appears an archetypal City financier.

The manner of Mr Lawrence's departure provided plenty of material for conspiracy theorists. He was dismissed shortly after several of the largest City investment banks rebelled against the way in which he was implementing

reforms. He has indicated since that the City's forces of reaction were at work.

Mr Kemp-Welch seems an ideal candidate for leader of a City version of the "men in grey suits" who used to dispel the Conservative party's unwanted leaders. His father was also a Cazenove partner, and he has worked in the City ever since leaving Winchester, the boys' public school.

He also displays many of the qualities of an establishment figure, combining charm with self-confidence and decisiveness. At Cazenove, he instituted reforms to the most pukka of brokers without spilling his air of discretion and exclusivity in the City.

Those who worked with him at Cazenove admired the manner in which Mr Kemp-Welch retained the qualities of a partnership while introducing management disciplines. He slowly transformed the firm into a shape that would survive in the modern City without sacrificing its old virtues.

Mr Kemp-Welch showed the bristly side of his character in dismissing Mr Lawrence on Thursday. After consulting members of the exchange's board, he called Mr Lawrence to a meeting, and set him a deadline of half an hour to resign. Even with the help of

lawyers, Mr Lawrence was out within three hours.

He explained that it would have been worse for Mr Lawrence if he had been less decisive. "My experience in cases like this is that it is better there is a clean break," he said. To allow Mr Lawrence to work notices would have been "a recipe for indecision and lack of leadership".

Mr Lawrence had not made himself popular with many of the exchange's 350 members, sometimes introducing changes without bothering to consult them first. He saw it as unavoidable if he was to get things done rapidly. But many firms thought they deserved more attention as the exchange's owners.

Some City firms argue that Mr Lawrence should have seen what was coming, and his insensitivity blinded him to the degree of discomfort he was causing. Yet some government officials were discomfited by the suddenness of the move, saying that Mr Lawrence deserved more warning.

Such rapid and unforeseen action is characteristic of Mr Kemp-Welch. Those who have worked with him say his views are often hard to discern. "He is totally opaque," comments

one former colleague, who says that Mr Kemp-Welch tends to follow written notes in meetings, and is uneasy about giving away his personal views.

Some ascribe that to Mr Kemp-Welch's scrupulous sense of fairness. "He has exceedingly good judgment, and he thinks things through without rushing into them," says one colleague. "He will always listen carefully to an argument and make a decision without any prejudice to one side or another."

Yet before that decision is made, he remains sphinx-like. One reason is physical: he lost an eye at the age of six, which has left him with a slight squint and makes him difficult to read.

Whatever the rights and wrongs of this week's events, Mr Kemp-Welch now faces the task of acting as a temporary chief executive before a replacement is found. This may not be an appetising prospect, even leaving aside the glare of the publicity which he could avoid at Cazenove.

One broker says he was surprised that Mr Kemp-Welch took the job of chairman in the first place. "If I had quite a high profile at Cazenove, and was 57 years old, that is not the way I would like to see my days out," he says, arguing

that the task needs someone younger with plenty of energy.

Part of the problem is that it has become less clear what the chairman of the exchange should do. The exchange used to be run by a council led by its chairman, who interpreted its views as he saw fit. But under Sir Andrew Hugh Smith, Mr Kemp-Welch's predecessor, the structure changed.

The exchange now has a board representing members, and a more powerful executive led by a chief executive. Given the breadth of membership from the largest investment banks to small regional stockbrokers, there is immense potential for conflict between owners and executive directors.

Mr Lawrence put some members' noses out of joint by pushing to the limits the powers of the chief executive. Some members complained that by chairing various policy committees, he in effect blocked an important channel through which they could exercise an overview.

Mr Kemp-Welch will now have to come up with a fresh way of acting as both chairman and de facto chief executive while they search for a replacement for Mr Lawrence. He said on Thursday that a chief executive should both

"formulate and drive through strategy" and "win the confidence of member firms" and get their approval for strategy.

That would be a tough task at the best of times, but it is becoming more so as the exchange faces critical debates on the methods of share trading in London. In practice, Mr Kemp-Welch will be forced to perform the job according to his own specifications while many if not all of the decisions on this are taken.

One member says there is inevitably a gap between the views of an ambitious chief executive, and members. "There are 1,100 people and it costs £170m a year to run. As a member, I find that unacceptable, but if you are an executive, you have a motive to expand services and costs," he says.

One broker says that Mr Kemp-Welch's awkwardness at having to operate under the public gaze does not indicate the challenge is beyond him. "He is clearly not terribly good at the public role, but just because he finds it hard to operate in the limelight does not mean he is ineffective," he says.

However Mr Kemp-Welch manages the task over the next few months, it is unlikely to bring him as much joy as working at Cazenove. Yet the general City consensus is that he has as good a chance as any of achieving harmony at the exchange. He not only has the experience of running Cazenove, but the contacts of the true insider. But he must now justify his treatment of Mr Lawrence by showing that he can do better.



Samuel Brittan

Christmas teaser sows confusion

Do you benefit from a rise in the price of wine in your cellar? The answer is not that obvious



I was besieged by interesting letters after my column of Saturday December 16, when I reported an experiment - involving the theoretical gift of a bottle of wine - to test popular economic beliefs ("Glad tidings of dear joy"). Perhaps it was the season, but the topic obviously attracted more attention than the Bank of England's inflation forecasts.

Readers of a newsletter were asked the question: "Suppose you bought a case of good 1982 Bordeaux for £20 (a bottle) and it now sells for £75. You give a bottle to a friend. Which of the following best captures your feeling of the cost to you as a gift?"

The correct economic answer was meant to be £75. For it will now cost you £75 to replace the wine you give to a friend.

This answer was one of five options given to the newsletter's readers. But only a minority accepted it. The other options ranged from "Nothing. I paid for the bottle already" to a gain of \$55 - "I only paid £20 for a £75 gift". The majority of responses were for these other answers, with zero cost coming out on top.

I was reluctant to leave the matter there and threw open the question to FT readers with the endorsement of a copy of my last book, *Capitalism with Human Face*, for the best comments. I was mildly surprised by the number of wine connoisseurs who insisted that they could drink without cost. They said that when they bought the wine it was an investment and when they drank it "they had it there". They obviously believed that, even if there is no free lunch, there is such a thing as a free bottle of wine.

Many readers showed knowledge of the practicalities of wine trading and the time and effort required to sell individual bottles. They would, however, have to know the academic world to appreciate that the questioner probably had in mind a perfect market, in which any bottle of wine could be bought or sold at a single established price.

The most comprehensive analysis

came from an architect, Nathan Silver, who receives my first prize. He listed the different kinds of "logic".

Existential logic. "A feeling that certain continually descend on the past - 'this is the first day of the rest of my life'. So the wine is already there and I pay nothing more, 'in its existential way this is unassailable'."

Legal logic. "The cost is £20, the amount I paid for it." This is the familiar presumption encountered in law, where changing market values are often ignored.

Mediated logic. "Twenty dollars plus interest." It might dawn on an arbitrator that some account should be taken of the increased market value of the wine. But he or she does not want to take into account the whole of the difference between the initial payment and sales value. "Logically flawed, but commonplace. I am sure the High Court would never overturn an arbitration award with such a stated opinion."

Economic logic. The cost of the wine is the £75 it would take to replace it. This is nearly the economist's answer based on opportunity costs - a useful idea but not what the word "cost" usually means in real life.

Bimbo logic. There is no cost, only profit. "I only paid £20 for a £75 gift." This is equivalent to the advertising slogan which urges you to buy a cut-price fridge and thereby gain \$100. Nevertheless, as my original article showed, there are situations in which the bimbo would have a case - for instance, if he or she had always

intended to hand over a gift worth £20 and no more.

A special prize goes to Vivian Bazalgette, who points out that "realisable value" is a better approximation than replacement cost to the economist's notion of opportunity cost. If it is easy to sell a bottle of wine at its current market value of £75, the two ideas come together. But take another example: a machine that has become obsolete. The only economic cost to the owner of parting with it is its scrap value. Hence the saying "Bygones are forever bygones". Indeed I received some excellent expostulations of the principles of replacement cost accounting. But these are of no use when replacement does not make sense.

I was surprised by the number of wine connoisseurs who insist they can drink without cost. Some go so far as to believe that, even if there is no free lunch, there is such a thing as a free bottle of wine

I have to admit, however, that the greatest personal value of the correspondence came from the further stimulus to my own thinking. My biggest worry with the supposedly correct answer was how a piece of good luck, such as a large increase in the market value of one's wine, could appear to impose a cost.

The answer is, surely, that two events have happened. The increase in the value of the wine may have made me wealthier. Indeed, if we assume that it is a case of six bottles, it may have made me better off by \$330 (\$450 minus \$120) minus interest. The cost of giving the bottle to a friend is still £75 in terms of the opportunities forgone - whether in terms of selling the wine or drinking it oneself. On the other hand I may be in a better position to make a more expensive present.

Why is it that I only "may" be wealthier? I will be if it is a one-off purchase of a case. But take the example of a person who has purchased for £20 wine that he happens to like very much, as well as wanting to give to friends. The rise in price could then reduce his wealth. For he will want to make repeat purchases of the very same wine, which will make larger inroads on his lifetime income - unless of course the wine falls back in price.

Even in the case of the single purchase, to become better off - other than in a gloating sense - the owner would either have to sell his asset or at least borrow on its strength. Such

market transactions are much more likely in the instance of a house than of a case of wine. A homeowner whose property has doubled in value can rationally borrow more to finance a higher standard of living (equity withdrawal). Moreover, even if he is content merely to live in his home, the knowledge that he could, if necessary, trade down and buy more goods than he could before increases his range of possibilities.

In the example of wine, none of these possibilities is very realistic unless the person concerned is a professional wine dealer. Conventional economic logic can show that - given stable tastes and a constant amount of altruism - he would be better advised to drink more bottles himself and give fewer away.

I cannot resist offering a consolation prize to a retired civil servant, A.T. Aitchison, who said that my problem reminded him of a recent Whitehall conundrum: what do two and two make? It depends whom you ask. The statistician will say that 99.9 per cent of the time it makes four. The economist's view depends on his doctrinal persuasion. The Treasury official will, however, ask: "What figure did you have in mind for an answer, minister?"

There is one more prize. This is to Harvey Cole, who asked about the economics of the prize. He assumed that the cost to me was zero, so long as stocks of my book were not exhausted and that, indeed, I derived a positive benefit from promotion. This would have been perfectly correct had I been my own publisher. But he must know that, however low the marginal cost of copies, publishers do charge authors for promotional copies over and above a certain free ration, long ago exhausted.

Finally, if any reader seriously wants to explore both the content and the limitations of the underlying arguments, I would recommend a book entitled *The Theory of Choice* by S.H. Heap and others (Blackwell, 1984). The equations are mostly segregated in boxes for the attention of the conscientious. But do not expect this book or anything like it to make any of your wine-buying decisions for you.



Spoon-fed: the rare black-faced spoonbill of Taiwan

A feathered celebrity

Taiwan's wildlife is benefiting from growing environmental awareness, says Laura Tyson

Wildlife appreciation in Taiwan has traditionally been confined to the dinner table. Times are changing - fortunately for the creatures that inhabit the island. But Taiwan's new-found environmental awareness has created problems both for business and for government officials charged with promoting the country's economic development.

One of the chief beneficiaries of these changing attitudes - in a country where the plumage of luxury cars is still more prized than that of rare birds - is the black-faced spoonbill.

This endangered waterbird, known for the conical way it waggles its spoon-shaped beak from side to side when feeding, has become something of a local celebrity. Every day, bus loads of birdwatchers, students and tour groups head for the Tseng Wen estuary near the southern coastal city of Tainan, armed with binoculars and telescopes, hoping to catch a glimpse of it.

Environmentalists first rallied to protect the spoonbill a few years ago, after a count revealed that only about 430 birds remained, and it has now become a focal point for the environmental movement.

The movement has gathered strength in recent years, helped by the advent of democracy in the late 1980s and Taiwan's improved economic circumstances. These have encouraged the people to complain more vociferously about the high level of pollution, caused mainly by the heavy industries that made the country rich.

Conflicts between industry and environmentalists have proliferated, as growing companies have tried to secure land - a scarce and expensive commodity in this crowded, heavily industrialised island. The black-faced spoonbill, therefore, is not popular with the companies that have been prevented from setting up factories near its habitat.

One industrial park that would have destroyed the spoonbill's favourite feeding ground has already been shelved.

Now activists are trying to

derail plans by the Tuntex group, a leading petrochemical concern, and the Yieh Loong group, a large steel company, to build a big steel and petrochemical complex. This would be situated on the south-east coast, a few kilometres north of a proposed 1,200-hectare reserve for the spoonbill and more than 200 other bird species which frequent the area's tidal estuaries. Local authorities are co-operating on the project.

Mr Philip Kuo of the Tainan Wild Bird Society, a bird-watching club, believes that, if the industrial complex were built, it would pollute nearby coastal waters and poison a vast patchwork of tidal salt pans and fish farms.

"From our point of view, 1,200 hectares is not big enough for the planned protected area: according to experts it should be 5,000 hectares," he says. "That just is not possible, but we hope that at least we can prevent this complex from being built."

About 280 black-faced spoonbills spend six months of the year (from October to April) in Taiwan. Otherwise, little is known about them.

Once plentiful, the bird's population has been depleted by a succession of wars in the region. A migratory species, it winters in tidal estuaries in east Asia and heads north for the summer breeding season.

Nobody knows where the spoonbill's present breeding grounds are - except for a few spots on the west coast of North Korea. Experts believe most surviving birds may breed in north-east China or Siberia. Taiwan's agriculture ministry plans to put radio receivers on some spoonbills this year in order to track them.

Mr Kuo believes that pressure to protect the natural habitat of birds and other wildlife is certain to rise as more Taiwanese take up ornithology - an increasingly popular pursuit, especially among young people. Several additional reserves are planned, as the Taiwanese turn rapidly from chopsticks to binoculars as their weapon of choice for savouring the island's wildlife.

The greatest dramas of an opera house tend to take place off-stage, in the rehearsal rooms and the director's office, rather than before the audience. Rarely, however, have Britain's opera houses been so afflicted with such off-stage tensions and tantrums as they are today.

This week Mr Jeremy Isaacs, general director of the Royal Opera House, Covent Garden, has announced that he needs to reduce the 1,000-strong workforce by a tenth to avoid a financial crisis in 1996-97. He has also seen his company's planned temporary home during the 1997-98 closure of the Royal Opera House for redevelopment crumbling.

By the end of March Covent Garden will be carrying an accumulated deficit approaching £1m (\$1.5m). The prospect for the new financial year look bleak. Corporate sponsorship of new productions has fallen by £1.5m and, for the second successive year, the increase in its grant from the Arts Council will be below the rate of inflation. Mr Isaacs plans to cut costs by £2m.

At the same time Mr Isaacs has to decide what to do with the opera and dance companies during the closure. They were expected to perform for two seasons at a new theatre to be built south of Tower Bridge, but the developer, GLE, has failed to sign up tenants for the £27m project after the opera and dance companies

Opera houses hit a sour note

Managers are engaged in a balancing act, says Antony Thorncroft

nies return to Covent Garden, and its future is in doubt.

Such setbacks are not confined to Covent Garden. Big challenges confront most of the nation's opera companies. Perhaps the bleakest prospects are at Welsh National Opera, which last month saw its bid for £40m of lottery money to build a much-needed new opera house at Cardiff Bay turned down.

Scottish Opera faces the break-up of its orchestra as a full-time ensemble because of financial problems, while Opera North in Leeds risks losing its highly esteemed music director, Mr Paul Daniel, to the English National Opera.

The ENO, in its turn, has had to music director since the abrupt departure of Ms Sian Edwards in November. And, on top of an accumulated deficit of more than £3m, it faces an agonising choice of whether to stay put at the crumbling Coliseum in central London or seek a future in a new purpose-built home, lottery money permitting. Only Glyndebourne, still very much the personal fiefdom of Sir George Christy, is financially and artistically secure.

But it is Covent Garden that commands centre stage. The Royal Opera House receives



about £15m in annual subsidy from the Arts Council. Last year it was awarded an extra £55m of lottery revenues - with the probability of receiving another £23.5m - towards its £213m redevelopment plan, which is mainly designed to modernise its archaic backstage working conditions.

Such vast sums are an easy target for those who maintain that opera is an elitist art form. Setting seat prices for appearances by the tenor Luciano Pavarotti at £275 does little to dispel the illusion that the lottery pounds of the poor are subsidising the pleasures of the wealthy.

Mr Isaacs devotes much of his time to countering such canards, pointing out that Covent Garden's international rivals in Vienna, Paris and Milan are up to twice as costly for the public purse. He argues that overpricing for Pavarotti reduces seat prices for challeng-

ing works, such as the recent production of Hindemith's *Mathis der Maler*. He can also find support in the public appetite for opera and dance: audiences at Covent Garden top 90 per cent of capacity, and on December 28 the seasonal favourite, *Tales of Beatrix Potter*, was sold out.

It is, however, a precarious financial balancing act. Mr Isaacs is committed to closing the opera house for redevelopment in the summer of next

year, at the time of his retirement. His successor will reopen a refurbished building with a second auditorium, new backstage facilities and a home for the Royal Ballet in the autumn of 1999 - in time for the millennium. The Arts Council is prepared to put up the lottery money to keep the dance company, the opera chorus and the orchestra together during the closure, but only if Covent Garden can come up with a viable commercial plan.

Mr Isaacs still hopes that GLE will find a possible successor tenant for the Tower Bridge Theatre. The first choice, the Disney Corporation, wants more time to consider. In the meantime Mr Isaacs must start planning a possible schedule which would include UK and foreign touring performances at the Royal Albert Hall in Kensington, and limited seasons in unsatisfactory London theatres.

He holds two aces. Neither the government nor the Arts Council can envisage Covent Garden closing down: the loss of national prestige would be too great. He also has the continued support of Lord Sainsbury and Mrs Vivien Duffield, who have pledged considerable sums, believed to be about £20m each, towards the £78.5m that Covent Garden needs to be sure of lottery funding for the new opera house. These are advantages that the directors of the UK's other opera companies can only view with envy.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar stalls

By Philip Gawth

The dollar's impressive start to the new year ran into the buffers yesterday as deepening unease about the continuing US budget deficit infected interest rate and currency markets alike.

The dollar's retreat started late on Thursday when the heightened rhetoric of the budget dispute, including Republican threats to try and impeach Mr Robert Rubin, the treasury secretary, unsettled the dollar and US bond market.

Most of the correction took place overnight, and the dollar was fairly stable during European trading. Traders said that market volumes were very heavy.

The uncertainty was enough to prompt some profit-taking on the part of those longer term investors who were expecting a sustained dollar rally. It closed weaker in London at ¥104.865, from ¥106.1

and at DM1.4375 from DM1.455.

In a reversal of the pattern of the previous few days' trading, the D-Mark was the beneficiary of the dollar's weakness. In Italy uncertainty about the composition of the government saw the lira fall to L1,099, from L1,090, while the French franc also slipped back to FF3.426, from FF3.415.

The dollar pulled sterling down with it, with the trade-weighted index closing at 85.5, from 84.0. It lost more than two pence to finish at DM2.2319, from DM2.252.

New Year dollar rallies look forever fated to fall victim to the unexpected: back in 1994, an escalating trade dispute

Dollar

DM per \$

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WORLD INTEREST RATES

MONEY RATES

January 5

Overnight

One month

Three months

Six months

One year

Lomb. rate

Dis. rate

Repo rate

Belgium

week ago

France

week ago

Germany

week ago

Italy

week ago

Netherlands

week ago

Sweden

week ago

Switzerland

week ago

US

week ago

Japan

week ago

UK

week ago

Australia

week ago

New Zealand

week ago

South Africa

week ago

Hong Kong

week ago

Singapore

week ago

Taiwan

week ago

Thailand

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Philippines

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Malaysia

week ago

Indonesia

week ago

Vietnam

week ago

Laos

week ago

Cambodia

week ago

Myanmar

week ago

Burma

week ago

Sri Lanka

week ago

Bangladesh

week ago

Pakistan

week ago

Afghanistan

Job No.	Job Name	Selling Price	Buying Price	% of Y - G
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Job No.	Job Name	Selling Price	Buying Price	% of Y - G
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Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains. The *Agrobacterium* strains were grown in YEA medium for 24 h at 28°C. The cell concentration was adjusted to 10⁸ cells/ml. The cells were then mixed with the plant tissue and the transformation efficiency was determined. The results are shown as the mean ± SD of three independent experiments. The asterisk indicates a significant difference (p < 0.05) between the two strains.

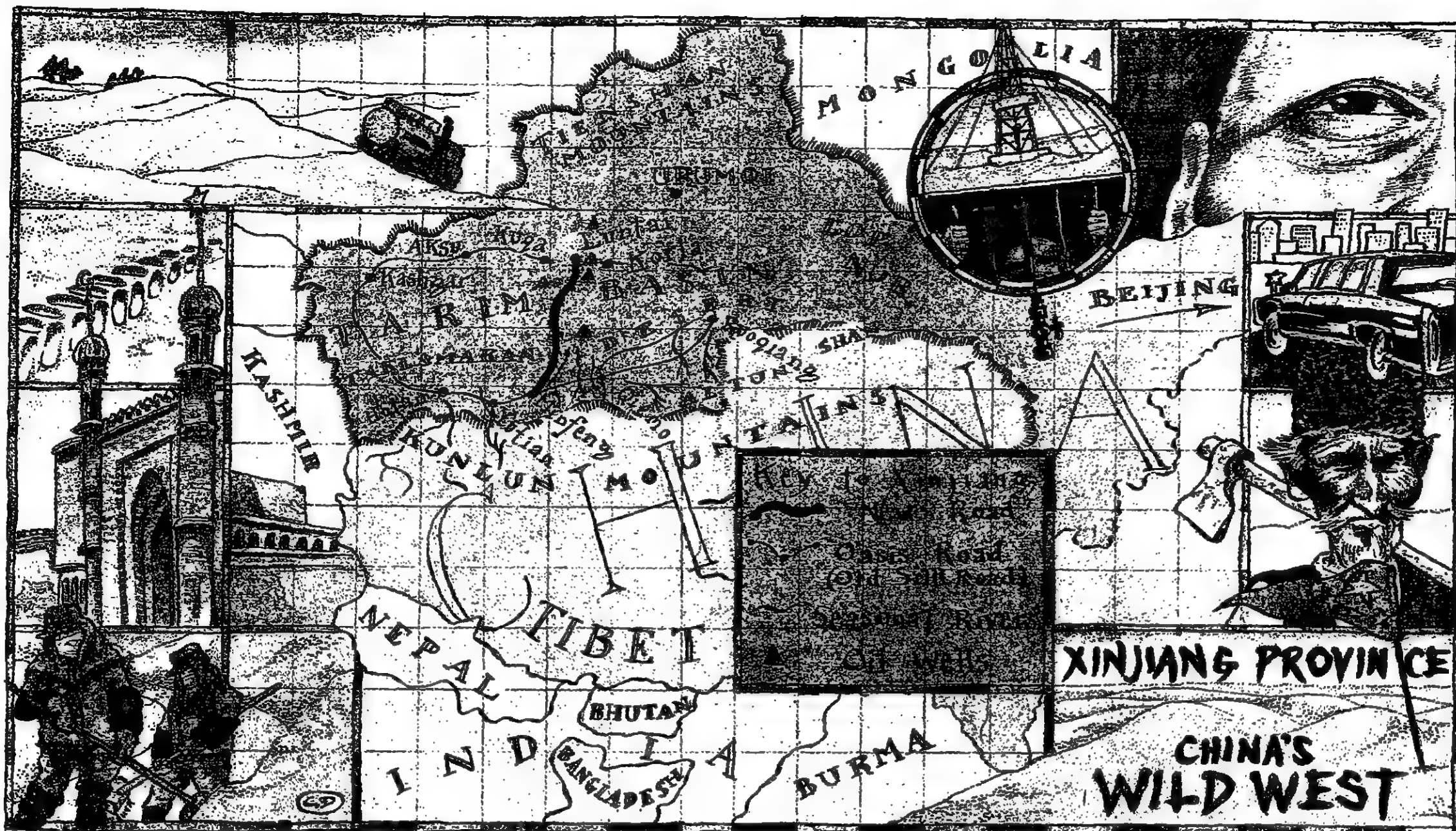
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Weekend FT



The red flag in China's wild west

Christian Tyler braves the harshest of conditions to witness the economic development of the remote Xinjiang province

Out in the middle of the desert, five days march from the nearest habitation, there was nothing to be seen: not a bird, not a fly, not a twig or a stone – just a petrified ocean of sculpted sand dunes, pale as death, stretching soundlessly to the horizon.

But suddenly there appeared among the frozen billows, at the foot of a dune where our camel train had halted and almost obliterated by the desert wind, the marks of heavy-duty tyres. Further on, somebody had planted a red flag in the yellow-grey sand. "Oil prospectors," said the camel driver.

This is the Taklamakan desert, one of the loneliest places on earth, an empty space in China's wild west province of

Xinjiang. Protected by soaring mountain ranges on three sides and cut off from the east by the black pebbles of the Gobi, it has been abandoned for centuries because of its evil reputation – the fearful *karakum*, or spring sandstorm which turns the sky black, and temperatures that swing from over 50°C in summer to minus 50°C in winter.

Not until the arrival of the Swedish explorer Sven Hedin a century ago did any man dare to penetrate the Taklamakan – and he nearly died on his first attempt. Nor, until a British-Chinese expedition two years ago, had anybody travelled the entire 1,000km from side to side. These days a few hardy groups of tourists are making forays into the sands.

The marker, a simple cane with a red flag, stood as a sym-

bol of China's determination to exploit its newest dominion and last frontier. Hitherto treated as a military buffer zone against Soviet power, a test site for nuclear weapons and a dumping ground for political opponents – the equivalent of Russia's Siberia – Xinjiang has been caught up in the hectic economic development which some forecasters say will make China the dominant economy of the next century.

But development has its price. Not only is it expensive to build roads and railways over terrible terrain but the native population is becoming angry. In China's wild west, the unhappy part of the Red Indians has fallen to the indigenous Uighurs, Moslem people of Turkic descent and Caucasian appearance who inhabited

the oasis towns and villages round the desert's edge long before the Manchus arrived in the 18th century.

The Uighurs complain of economic apartheid. They say the benefits of progress are going largely to the immigrant Chinese, the profits of agricultural and mineral exploitation are appropriated by Beijing and their culture and rights stripped from them. "We feel completely powerless," said a young Uighur in Urumqi, the provincial capital.

Although determined to push ahead, the Chinese are aware of the real extent of Xinjiang's hidden wealth. Wang Tao-wang, president of the China National Petroleum Corporation, two years ago described the Tarim Basin in which the Taklamakan lies as "another Middle East". But

two auctions of drilling rights to foreign oil companies flopped and a third round, the results of which are about to be declared, is thought by western experts to have gone no better. Although Wang has been forced to revise his estimates, foreign companies are reluctant to pull out altogether in case the wind changes in their favour.

Most of the Tarim Basin wells are located on the northern edge of the desert, where the town of Korla is being developed as the principal refinery and transport terminus. But six-wheeler trucks continue to plunge into the desert, defying the dreadful conditions. "We have had to redesign all our air filters for the desert," said a Mercedes-Benz engineer in Kucha, "and Caterpillar (the US earthmoving

equipment manufacturer) broke the first crankshaft in its history."

Now there are oil derricks in the very heart of the desert, pumping from a new field called Tashong, 600km from Korla. The prospectors' mobile dormitories can be seen in forlorn huddles at the furthest reaches of rivers frantically fed by the glaciers of the Kunlun mountains to the south.

The most impressive example of China's determination to conquer the wilderness is the desert road now being completed from Luntai in the north to Minfeng (formerly Niya) in

the south, slicing the Taklamakan in half. A carriageway has been blasted through 350km of mountainous dunes; Alpine snow-prevention technology has been adapted to keep the fine sand at bay. The road is inhabited along its length by imported labourers – possibly prisoners – who sweep the surface and maintain the artificial barriers on either side.

The desert highway will bring economic progress – not to mention greater political control – to the undeveloped

Continued on Page II



Joe Rogaly

The big EU squeeze

The government's future? The answer lies in orange juice

Enough. I am as pro-European as the next woolly liberal, but when the European Union messes about with my morning orange juice, watch out commissioners. Someone must be defeated. We avengers will strike soon... You might expect such irritability to lead me to cross the floor, to join the Eurosceptics, but I am not hot and bothered, not mind.

The explanation is simple. Britain is apparently the world leader in marketing freshly-squeezed o.j. Its distribution network, plus refrigerated lorries, is ideal for this branch of the just-in-time food industry. The squeezers import Late Valencias, the best for saleable juice, from wherever the fruit is cheapest at a particular time of year. Now they have been asked to pay a 20 per cent tariff if the oranges are not grown in Spain or Portugal or another EU country. Spain is the last place you would go for Late Valencias.

Unless granted a dispensation, this impost could distort an otherwise useful trade. I once sat next to an orange juice dealer on a flight to Madrid. He was off to set up a buying operation for Super Mega-foods, or some such corporation – anyhow, he said it sold one twentieth of all consumables bought in the US.

That is some spaghetti. It makes lottery money look like the confetti it is. He told how o.j. futures worked better than pork bellies. You might buy Florida one moment. Brazil the next. Mexico or north Africa the following week.

Mr Super Mega-food was moving the raw material for frozen juice, or concentrates, the pasteurised glob we had to drink before the freshly-pressed delight came in. That is what most Americans still swallow. In truth, no o.j. distribution system works better than keeping the divine fluid in oranges and squeezing it out immediately before serving, but who has the time? Britain's refrigerated, unadulterated, almost-fresh near-nectar is next best. Since we remain members of the EU, we are likely to be asked to pay more for every sip.

Or perhaps not. The European Commission, I was told when I called Brussels, recognises that Britain has a special problem here. It is in the midst of an internal debate about whether to allow UK squeezers of fresh juice to import a specified quota of non-EU oranges at a low price. They are having a meeting about it next week. The supermarket shelves will tell us what happens.

Sensible folk like you and I will at once perceive the lesson to be learned. It is not,

repeat not, to go all sulky and say that Britain should leave the EU. It is, rather, to determine that the tariff regime imposed quite legally under the world trade rules agreed in the Uruguay Round is liberalised at every opportunity.

Dispensations, special quotas, five-year delays, lower support prices, trade-offs, bargains, free access for Polish wheat – little by little the per-

verse effects of the EU's agricultural protectionism must be ground down. The goal is to allow Europeans cheap food in the 21st century, something Americans enjoy now.

The British government, or part of it, recognises this and does its best. It is, alas, not wonderfully placed to make alliances, lobby, rub shoulders with friends, horse-trade, haggle, shake hands on fresh understandings. As we all know, this is because it is divided about Europe. On the one side are the Eurosceptics, no friends of Brussels. On the

other stands the prime minister, his heels dug in, cutting a deep scar in the earth as he is dragged ever closer to renouncing the single currency, or, indeed, any further evolution of the union itself.

The natural inclination on the continent is to wait for Britain to make up its mind. Yet the real work of government lies in everyday negotiations about the price of fresh orange juice, or fishing rights, or similar matters. The question for 1996 is – how long can a Conservative administration led by John Major carry on dealing effectively with such intricate details of EU policy? My answer would be – for a while yet, but the government's useful life is drawing to a close.

This is only partly a consequence of the changing balance in the house of commons. Two backbench Tory MPs have defected to opposition parties, and deaths and by-elections have reduced the Conservatives' overall majority to three. In most other countries the natural outcome would be for the largest party – in this case the Tories – to seek coalition with one or other of the smaller factions.

This is happening, sort of, but not in the open, if scratchy, manner of the pact between the CDU and the FDP in Germany. Mr Major will rely on the Ulster Unionists if

his continuation in office is threatened by a vote of no confidence. Both sides have stressed that there is no deal, covert or otherwise. The Conservatives will continue with their present stance in Northern Ireland; the unionists will keep the government in power while they see an advantage to themselves in doing so. It is an agreement about power, not principle.

As such, it is naturally precarious. The possibility that the government will fall during 1996 is stronger than it was before Christmas. But that is not the issue. What should bother ministers with a decent sense of public duty is whether their government can do its job properly.

On Europe and Northern Ireland it may not be able to for many more months. Against that, Kenneth Clarke's management of the economy remains sound. Remarkably, the chancellor has not panicked. The tax changes in his recent budget were small, his approach to reducing interest rates has been circumspect. We shall see if that lasts.

If it does not Mr Major should step down, and take his government with him. If Mr Clarke's nerve holds, watch Ulster and the EU. They – and the price of o.j. – could determine whether, and when, the end has come.

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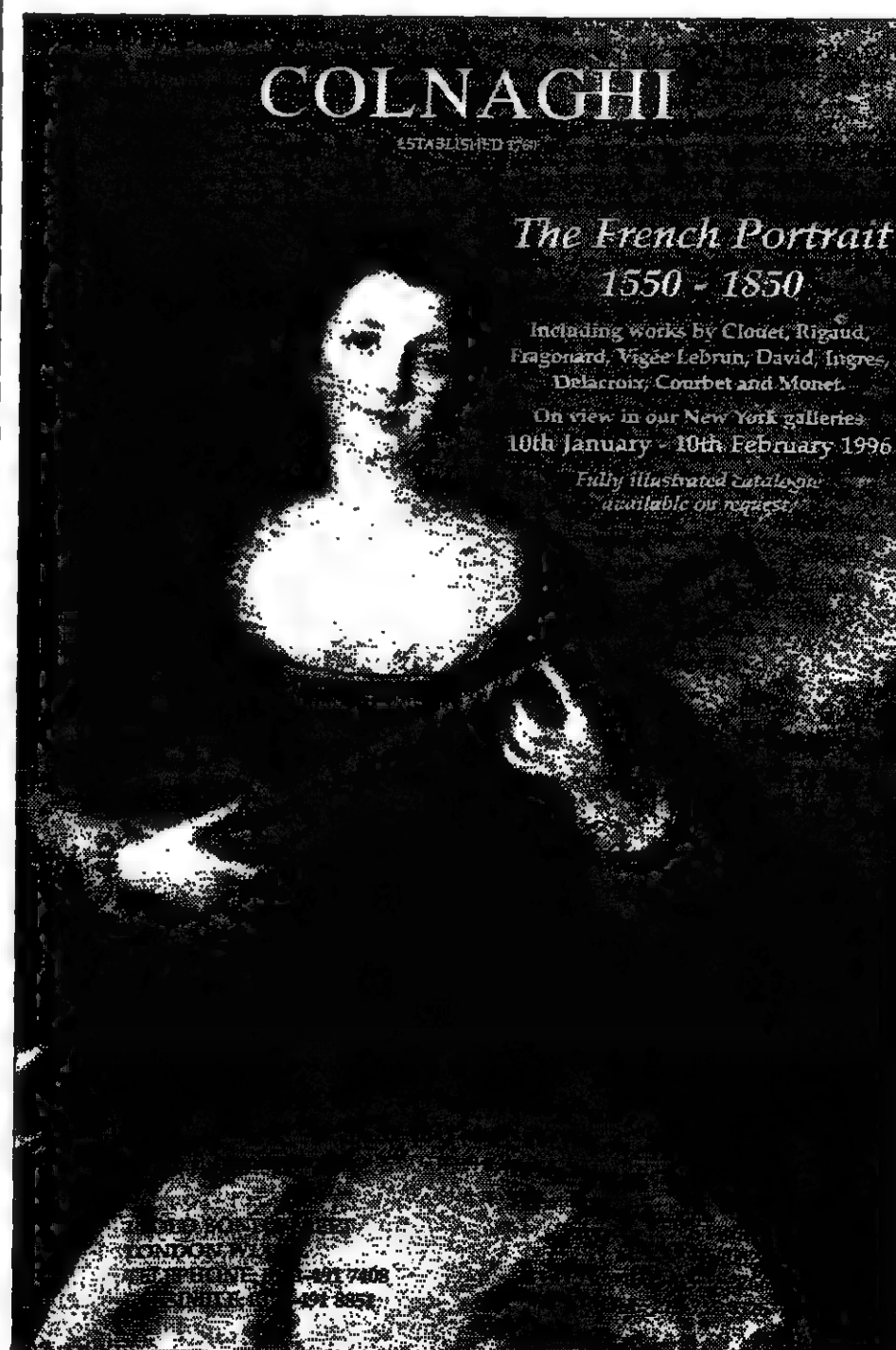
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PERSPECTIVES

Science / Andrew Derrington

Why I will continue to enjoy beef steak

The big question is whether the species barrier prevents humans being infected with mad cow disease

The scare about whether humans can be infected with bovine spongiform encephalopathy - mad cow disease - brings a new theory of disease transmission to the scientific stage. Prion theory revives the idea, laid to rest by Louis Pasteur over 100 years ago, that the agents of infectious diseases can be generated spontaneously.

Prion diseases include Creutzfeldt-Jakob disease which affects man, the sheep disease scrapie and BSE. All cause degeneration of the brain. The essential event of the disease is the conversion of a natural chemical called prion protein (PrP) which occurs on the surface of all nerve cells and which is broken down and resynthesised continuously throughout life, into a form resistant to the enzymes that normally process it. The enzyme-resistant form of prion protein, known as PrP^{sc}, builds up inside cells, killing them and causing extensive degeneration of the brain. The novel theory, proposed about 10 years ago, is that the agent con-

verting normal prion protein into PrP^{sc} is simply PrP^{sc} itself. Infection occurs when prion protein from a diseased brain is transferred into a healthy brain. As the disease takes hold, the host prion protein that has been converted into the diseased form triggers further conversion. Contaminated human hormones prepared from the brains of cadavers have been identified as a cause of CJD, says Charles Weissmann, of Zurich University.

Prion theory explains rather neatly why prion diseases do not transfer easily between species and why, once the disease has crossed the species barrier, it is easily transmitted between different members of the same species. The prion pro-

teins of different species differ in their amino acid sequences. This hinders the interaction that produces PrP^{sc} in the host. But once the interaction has occurred, the resulting PrP^{sc} is characteristic of the host, not of the donor.

Weissmann says that it takes a long time for material from mice with scrapie to cause the disease in hamsters, and vice versa. However, material from hamsters with scrapie infects other hamsters quickly, whether the original source of the scrapie was mice or hamsters. Moreover, mice genetically engineered so that their brain cells produce hamster prion protein are easily infected by hamsters and mice engineered to produce no prion at all

are immune to scrapie.

The big question is whether the species barrier prevents humans being infected with BSE. There is no indication that this has happened, but it is difficult to prove that it never could. Two pieces of evidence are reassuring, although not conclusive.

First, according to Jeffrey Almond, of Reading University, humans seem not to be susceptible to sheep scrapie (thought to be the original cause of BSE) in spite of widespread consumption of infected animals. Second, experiments by John Collinge and colleagues at Imperial College School of Medicine show that mice with the human PrP gene can catch human prion dis-

eases, which normal mice cannot. But these mice, which also have the normal mouse PrP gene, are no more susceptible to BSE than normal mice, and when they are infected with BSE they make mouse PrP^{sc} and not the human form.

Experiments now under way with mice that have the human PrP gene but not the mouse PrP gene should give a clearer result, because if the species barrier between cows and humans is impermeable these mice should be immune to BSE. However, it could be two years before they die from natural causes and allow the experiment to be completed.

The difference between the normal prion protein and the enzyme-resistant form is simply the way the

molecule is folded. Proteins consist of long chains of amino acids, and the way the chain folds determines the properties of the molecule. According to Rosalind Ridley, of Cambridge University, most scientists believe that the conversion from PrP to PrP^{sc}, which triggers the disease, can occur spontaneously. About 80 per cent of cases of CJD in humans appear to be spontaneous.

Some scientists do not believe that PrP^{sc} is the only agent of infection in prion diseases. Chris Bostock of the Institute for Animal Welfare in Compton points out that there are "at least 20 different strains of scrapie" characterised by differences in the survival time and

in the pattern of brain damage they produce in mice. Such a large variety is difficult to account for if prion protein alone is the infective agent. Bostock suggests that something else - another protein or perhaps nucleic acid - may be involved.

Ridley thinks that the number of different strains has been overestimated. "Almost everything can be explained by the difference between the host species and the donor... The real test evidence for the existence of different strains comes if you do serial passages where you repeatedly infect genetically identical mice with material from the same type of mouse and you get diseases with different incubation times." Under these circumstances, she says, there are no more than two or three different strains.

Either way, it is impossible to prove that humans could not be infected by BSE. But that will not stop me enjoying steak.

The author is professor of psychology at the University of Nottingham.

Minding Your Own Business

Happy to be making sixpence many times over

Clive Fewins meets a growing props company which hopes to have fun along with success

Chris Dann and Martin Blake still get a sick feeling in their stomachs when they drive past the poster site at the junction of Cromwell Road and Warwick Road, west Kensington, London.

It is known in the advertising industry as the nation's most expensive site of its kind, and it is there that they made their biggest loss.

In 1991, a 20ft high imitation bottle of Martell cognac stood on the site for three months, the product of their 14-strong team of Cricklewood-based prop makers.

Together with the design, transport and erection costs, the project was an £18,000 undertaking. But because the intermediary through whom they received the commission went broke in the middle of the contract, Propshop eventually recouped less than £5,000 of the outlay.

"It was marvellous to be so visible at such a high profile site. Thousands of motorists who drove past must remember the huge bottle, but it could not have been a worse time to lose so much money," said 38-year-old Blake.

"It came in the course of a year when a number of advertising agencies who had regularly employed us to produce props were feeling the recession."

"Total bad debts that year were £28,000. By contrast, when we receive the final figures for the year ended in July we expect turnover to have topped £2m - more than twice as much as in 1991-2 - while we know bad debts have totalled just £73."

The 1991 story also had a happy ending. Dann and Blake still make a profit at the end of the year - as they have done in all the nine years Propshop has been trading.

The road to success, however, has been littered with problems.

There was the occasion when the police caught up with Dann on the motorway in Hertfordshire. They pointed out that a faulty back door on his van had meant that three of the four artificial palm trees he was transporting to Harrogate had fallen on the carriageway between Cricklewood and Watlington.

On another occasion a float created for Nuclear Electric, to be used in the 1993 Lord Mayor's Show in London, hit a railway bridge in Spi-

talfields on the way to the marshalling point. A four-man rescue squad managed to reinstate the mast and damaged hull of the large wooden mock-up of a yacht the company was sponsoring in a round-the-world race.

"Looking back over the years we have taken on a lot of jobs because of the fun element when we knew they were not going to make a profit," said Dann, 40.

"Nevertheless profits in the past few years have been healthy. Propshop is anticipating a £150,000 pre-tax profit for 1994-5."

It is all a far cry from 1982, when Dann had been made redundant from Ledbrooke Hotels, where he had been involved in promoting

Designing and making props for large stores has been the fastest-expanding side of the business

conferences and Blake had trained as a window dresser. The pair took a £30-a-week, 350 sq ft space in a printing works on part of the site they now occupy. Formerly, the site was a horse-drawn bus depot and a ball-bearing factory in Oaklands Road, Cricklewood.

The two worked as self-employed colleagues until August 1986, when they decided to turn Propshop, the name they had unofficially adopted, into a limited company employing the seven painters and carpenters who had been working with them for the previous four years.

Success was swift. Propshop found work as varied as arranging Arabian evenings in hotels in Hampshire to marbling display areas in Selfridges store in Oxford Street, London.

"We took the view - we still do - that it was better to keep our workshop busy and make sixpence many times over than to concentrate on just a few lucrative launches and special events contracts via advertising agencies," said Blake.

Before the recession in 1991, Propshop had a staff of 15 and a turnover of £850,000. It dipped to £730,000 the following year.

"With advertising agencies producing far less work we realised the value of our diversity of business," said Dann.

"We were thankful things were not a lot worse - we lost two staff - but we also realised things would have been much more healthy had we been able to undertake exhibition work."

The lucky break came in early 1992. "Our neighbour since we started had been a Frenchman who ran a small exhibition company. When he said he was going to sell up and return to France we were in an ideal position to buy the company," said Dann.

The price of the lease, stock and goodwill was £80,000 over two years, which the two managed to fund from profits, plus the aid of a temporary overdraft.

It gave Dann and Blake an immediate entry into the exhibition world, as they also acquired two experienced employees, who are still with them.

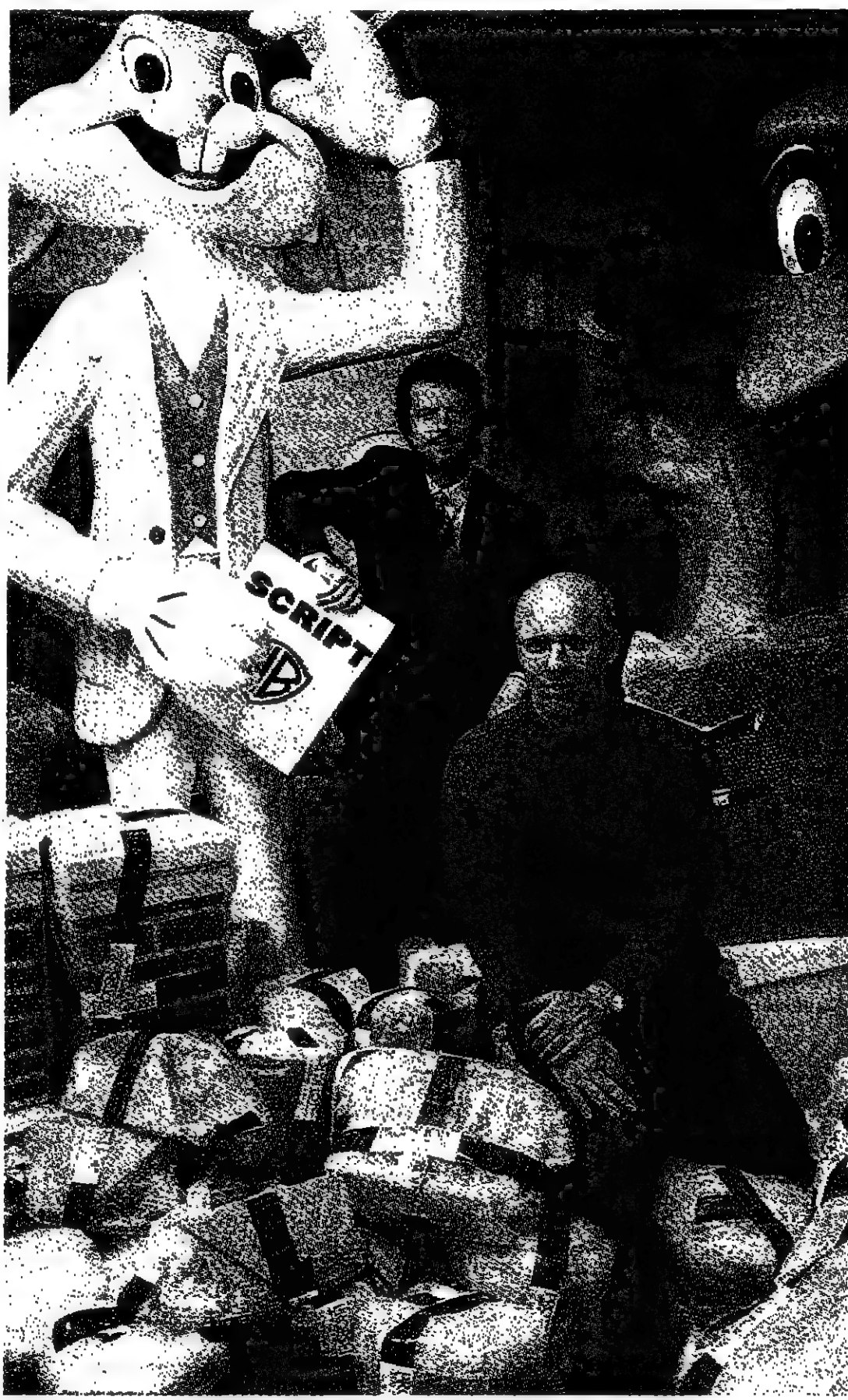
It also provided a further 4,500 sq ft of much-needed space. Propshop now occupies all the original printworks as well - a total of 25,000 sq ft - and the full-time team numbers 48, with self-employed freelancers brought in for special projects.

Exhibition work has taken off in the past three years, but it is designing and making props for large stores that has been the fastest-expanding side of the business.

The big success has been with Mothercare, the children's wear chain. From originally being called in to attend to a minor crisis in the decoration at the Watford branch, the company has gone on to make 90 per cent of its props, from giant boots that children can crawl inside to interactive features such as talking trees, moving trains and revolving planets. In 125 UK stores. Overseas the company supplies the props for 57 Mothercare franchises.

Today Mothercare accounts for nearly half of turnover. However, Dann and Blake do not believe this distorts the balance of the company.

"We have budgeted for Mothercare to become less important to us, but with the present shop refurbish-



Christopher Dann (left) and Martin Blake at their north London workshop

ment programme and the growth worldwide this does not seem to be happening," said Dann.

Besides, the trend is towards what we call visual merchandising - the use of lots more props like those we make."

The company also supplies props to Hamleys, Selfridges, Dr Martens

and other high street names.

A healthy cash surplus means that Dann and Blake are negotiating the purchase of their lease, while at the same time they have their eyes on a similar-sized company that offers several services, such as silk screen printing, that Propshop does not provide in-house.

"After nearly 10 years of ups and downs, 1995 has been the year in which it all seems to have come together," said Dann. "Above all, we love doing it."

The Original Propshop, Turpins Yard, Oaklands Road, London NW2 6DJ. Tel: 0181-208 1885.

Five years on Memorial that survives

In the middle of last year, Harriet Frazer was wondering whether her business, Memorials by Artists, was in its death throes.

It would have been a strange irony if it had ceased trading, as Frazer's business, which was first featured in Weekend FT's Minding Your Own Business column in October 1990, is built on the inevitability of death.

Memorials by Artists is a nationwide service which puts the bereaved in touch with a network of designer-carvers who make individual memorials in native natural stone. Frazer started it six years ago, after she had recovered from the death of her step-daughter at the age of 28 in 1986.

"It has undoubtedly proved a need. The problem has always been reconciling a very labour-intensive and personal service, trying to interpret the needs of the bereaved, with making realistic charges," said Frazer, 53.

Nevertheless she has managed to cover her costs and make a small profit.

After an unexplained dip in the volume of business in the first half of 1995, the volume of work has increased and Frazer is heading for a profit of £12,500 on a turnover of £260,000 at year end on December 31.

"It is a slender figure for all the work involved, but it is still far better than many previous years," Frazer said. "The important thing is not so much that it is contributing to the family income - my husband is a self-employed writer so things are sometimes quite tight - but that I am meeting a genuine need."

"My accountant tells me that in order to achieve more realistic profits I shall eventually have to charge more, but I am trying to counter this by broadening my business base to offer sculpture and architectural lettering in addition to memorials, by the 80 artists on my books. I also intend to offer a new service helping people through churchyard negotiations. It is a very difficult business to run because it is full of unknowns, but it is now well established and I am sure it is going to be all right."

Memorials by Artists. Snape Priory, Scaumburgh, Suffolk IP17 1SA. Tel: 01728-688934. A booklet explaining the service costs £5, post free.

Continued from Page 1

southern oases where Uighurs are still greatly in the majority.

Their oasis towns are linked by a rough and lonely road severed every few dozen metres by floodwater channels and lit only for trucks, jeeps or donkey carts. On this ancient route, part of the Silk Road which joined imperial Xian to imperial Rome, whole caravans used to disappear in the desert storms. Conditions are still bad: dust as fine as talcum powder hangs in the air like a fog, reducing visibility to a few yards. And when the wind blows off the mountains life grinds to a halt.

These southern towns are already feeling the cultural impact of modern China. In Ruqiang (ancient Charkilik) I found a bright new bus station built in the gaudy architectural style currently in favour, and nearby a camel stable which had been converted into a lock-up garage. Westerners

are rarely seen here; when they are, they are mistaken for Pakistani traders who come over the Karakorum pass to buy Uighur carpets, costumes and other artefacts for sale to the busy tourist trade on the other side of the mountains.

Like the cowboy towns of the old American west, the modern world in Xinjiang is only one brick thick. Town centres have been given a Chinese veneer - white bathroom tiles and tinted glass in shocking colours are popular - and the rows of mudbrick shops and dwellings are being replaced.

Life is more sophisticated and hectic on the northern side. There the road is real tarmac and crowded with motor-cycles, taxis and private cars ferrying Communist party officials and military bigwigs to interminable meetings. Lorries carrying coal, petrol or oil-bags drive in endless convoys east and north through the precipitous Tienshan mountains to Urumqi.

Officials describe in glowing terms how the old Eurasian trade route is being recreated

by road and rail to connect distant Rotterdam with almost equally distant Beijing. The provincial capital itself is unrecognisable from the colonial outpost of 10 years ago. Skyscrapers of fantastic design have sprouted up in the centre, the roads are choked with traffic and the pollution is dense enough to rival that of any eastern Chinese metropolis.

But fear lurks beneath the surface of this brash material progress. For outside their enclaves in cities such as Urumqi, the Chinese go in dread of a native population which regards them as a hostile, occupying army.

It is plain to any visitor how the wealth is divided. It is the Chinese who run the large enterprises, fill the government offices and occupy the city flats. It is they who speed about in foreign cars, leaning arrogantly on the horn as they brush past the Uighur traders and peasant farmers on their plodding donkey carts.

Uighurs are permitted to learn their own language at elementary school. But even if

they acquire fluency in Chinese that it usually not enough to overcome the racial obstacle to promotion or well-paid government jobs, according to a Beijing-educated graduate who has chosen voluntary exile. Some city parents try to compensate by sending their children to Chinese schools.

Uighur couples are also permitted two children under China's one-child policy, but this is no help to a younger generation depressed by lack of opportunities. Drink, drugs and prostitution are now a serious problem among young Uighurs in Urumqi. They are increasingly demoralised, said Dilmarat Abbas, whose family left for Australia some years ago. "When we left our friends said we were crazy," he added.

"Now they want to get out too. Even my cousin, who has a job in a bank, wants to leave."

Racial tensions have increased as the economy prospers. Before anniversary celebrations in the capital in October, precautions were taken against "minority groups", which the Chinese routinely

accuse of "threatening the unity of the motherland".

Political demonstrations in Xinjiang are rarely reported in the Chinese press, and almost never in the west. But there is anecdotal evidence of recent incidents in Kashgar, Khotan and Kucha.

One of the most serious doc-

The Chinese authorities will find it difficult to conceal the camps from western eyes

umented uprisings occurred five years ago in the village of Baren, near Kashgar. Police troops and helicopter gunships were sent in to quash about 2,000 villagers protesting over the closure of a local mosque. According to Amnesty International, up to 50 people may have been shot by security forces and hundreds arrested

all over the province. The human rights organisation complained in its 1992 report of "a pattern of violations" in Xinjiang following the 1989 Tiananmen Square massacre.

Although under Chinese control for most of the past 200 years, Xinjiang was not colonised by the Chinese until after the Communist takeover in 1949. At that time the Communists disarmed large numbers of Nationalist troops stationed in the province and put them into camps to become what is today known as the Xinjiang Production and Construction Corps, a quasi-military labour force numbering more than 2.2m, according to Harry Wu, the Chinese-American human rights campaigner who spent 19 years in the camps for "wrong thinking".

From the late 1950s, thousands of convicts, political detainees and families labelled as counter-revolutionaries were brought from the east and forcibly settled in the province, an internal exile from which there is still usually no return. As a result, the

number of Han Chinese in the province's population of 15m rose from an estimated 3 per cent in 1947 to 38 per cent today - more if the army is included.

So numerous are the prison camps and ex-prisoner settlements in this part of China that the authorities will find it difficult to conceal them from western eyes. I was driven right through two camps - sprawling settlements of concrete barracks, churned mud and scraggy cultivation - that happened to lie across our 2,500km desert route, and even found an opportunity to talk to a donkey driver who confirmed he was an ex-prisoner.

The labour camps, or *laogai*, are attracting high level scrutiny, too. The World Bank last month announced the results of an investigation into claims by Harry Wu that an irrigation project it was financing in the western Tarim Basin would benefit camps in the area and encourage the use of forced labour. The bank denied the money was being misappropriated and said it would benefit

"half a million very poor people", most of them Uighurs.

As the western wilderness opens up, Chinese immigration into Xinjiang is more likely to be voluntary than forced. Opportunists are moving in to pursue the lure of oil, coal, cotton and gold. Western backpackers are becoming a common sight in Kashgar and along the northern road. There is even talk of a theme park at Loulan on the eastern edge of the desert, with museum and chalets to overlook the remains of the 2,000-year-old Buddhist settlement excavated early this century.

Like others of its kind, the scheme is aimed mainly at the Japanese, increasingly enthusiastic travellers to the region. It is not yet clear how the authorities will overcome the obvious drawback. Loulan is in the Lop desert, close to the nuclear testing ground.

Serious or not, the venture perfectly illustrates the dilemma of the Chinese leadership as it opens Xinjiang Province to the world. Driven by a thirst for oil and a hunger for tourist dollars, they can no longer afford to keep secret their western wilderness - nor the political and judicial regime they are enforcing there.

PERSPECTIVES



Crippling legacy: one in every 246 Cambodians is a mine victim, and between five and 10 people are injured every day

The 'perfect defensive soldiers' who refuse to stop killing

Landmines blight every country that has recently had a civil war, reports Ted Bardacke from Cambodia

Tic Chi Sok lies face down in the mud trying to prevent the fear from coming back. The last time a member of her family was in a minefield, an explosion widowed her, at the age of 28, with two small children.

Prodding gently at the ground with a small trowel she digs up a piece of shrapnel. False alarm.

Her companion, 29-year-old Man Rin Na, dressed in fatigues and combat boots and armed with a high-powered metal detector, returns to the area. Man Rin Na's husband also died when he stepped on a landmine, leaving her with three children and no means of support. Now, methodically probing for fragments of metal as small as the tip of a ballpoint pen, she searches for one of the 9m mines buried across Cambodia.

Members of an all-widow de-mining team trained and employed by the United Kingdom's Mines Advisory Group, the two women have a lot of work to do. Twenty years of war have left nearly 2 per cent of Cambodia's territory covered with landmines.

The most common method for discovering a new minefield is when someone, often a farmer tending a rice field, steps on a landmine and becomes another grim statistic: one in every 246 Cambodians is a mine victim, five to 10 people a day are injured by mines, three-fifths of them civilians.

At current rates of clearance the Cambodian government estimates that it will take at least 100 years to rid the country of them - if the Khmer Rouge were to stop laying new mines, that is.

Hope that more Cambodians could be avoided was dashed when a UN conference in Vienna to revise the landmines protocol, suspended

deliberations with no conclusion in October after three weeks of meetings.

The conference, aimed utopically at banning landmines - as called for by the UN secretary general and the International Committee of the Red Cross - but realistically at tightening control over their use, will reconvene this month in Geneva. No breakthroughs are expected.

Without new restrictions, the world's landmine problem will get worse. In 1994, 100,000 landmines were cleared at a cost of between \$300 (2195) and \$1,000 each. At the same time between 2m and 5m new mines were laid, according to the UN, at a cost of about \$3 each.

Every country that has recently had a civil war - Afghanistan and Angola, Nicaragua and Somalia - is suffering. Landmines will go on killing civilians in former Yugoslavia long after the shooting ends. Cambodia faces an idea of the problems likely to give the Balkans.

Nearly 400,000 Cambodian refugees living along the Thai border were evicted back home in 1992 by promises of grants of enough land to feed their families. The UN based this offer on aerial surveys of uninhabited and uncultivated land in Cambodia.

But much of the promised land turned out to be worthless, riddled with landmines, and that promise has been kept for only 8 per cent of the returning refugees. Instead, the returnees were given a small cash handout and enough rice for a year. Many became refugees in their own country.

In some villages minefields begin just 15 metres from houses. Plans to build new clinics and schools had to be abandoned or postponed when it was discovered that the land to be used was a minefield.

Mines can shift after heavy rains

and floods, so farmers often risk losing a limb or worse at harvest time after having planted in an apparently safe area.

Plans to develop some remote areas as destinations for eco-tourism have been hampered by fears of undiscovered minefields around abandoned temples.

"This is very dangerous work but I need the job. I'm the only one left to support my family," says Tic Chi Sok, knowing that a wrong move could cause a mine to blow up in her face. "I left my children with

their grandmother and told them

not to go outside and play until I can come back and clear the mines near our house."

Tic Chi Sok's problem seems far removed from the discussions in Vienna, where participants say the military utility of landmines took centre stage.

Mines are the perfect defensive soldier. They are on alert 24-hours a day, require no supplies and their mere threat can protect a small force from a much larger one. Many landmines are designed to maim rather than kill, a tactic used to overwhelm the enemy's medical and reinforcement capabilities.

But they violate one of the basic moral principles of modern conven-

tional warfare: that soldiers and the weapons they use should discriminate between civilians and combatants. Landmines cannot distinguish between the footfall of a soldier and a child, and their long-term consequences seem completely out of proportion to their military utility.

Delegates at the conference agreed that the 1980 protocol was deficient. It was signed by only 50 countries, did not apply to internal conflict, provided limited means for verification, and failed to address new landmine technologies, such as "smart" mines.

The main dilemma faced at the conference was how to address these questions without going so far that some countries would refuse to sign the new protocol. A Swedish proposal to ban landmines was destined to be a non-starter and was not even discussed.

India and China, with vast land borders and huge stockpiles of old mines, were particularly obstinate, citing sovereignty, self-defence and technological deficiencies.

"Any amendment that seeks to expand the scope of the convention is likely to act as a deterrent rather than an encouragement to countries to adhere to the convention," India stated in its opening address.

India also spoke against "an unnecessarily intrusive verification or monitoring system".

China, which supported the marking of minefields but declared that such markings "should not undermine the self-defence capabilities" argued against adding a technical provision that would require mines to be detectable. It wanted to protect its supply of plastic mines, which are impossible to clear. How and where China intends to use such mines was a question that went unanswered.

The US and UK, caught between military justification and public

pressure, offered technology as a solution. They supported a smart mine proposal that would require mines used in unmarked and unmonitored areas to have a self-destruct mechanism or a limited active life.

This position has been attacked from both sides. China and India object to the cost involved in upgrading their mine stocks, while proponents of a ban say such mines are almost as bad as conventional mines: while active they still kill and maim indiscriminately, and a 6 to 10 per cent failure rate in the self-destruct mechanism is common (it has been even higher for mines laid during the Gulf War). Back-up mechanisms are expected to have a failure rate of 15 per cent.

There are also worries that incorporating self-destruct mechanisms would legitimise further use of these weapons, and most smart mines, designed to be scattered by the thousand with little precision, are a threat to civilians and livestock when the mines self-destruct.

When the conference reconvenes these issues will still be on the table and may not be resolved until the next review of the landmines protocol - if there is one, that is. While most countries appear to support reviews of the protocol every five or 10 years, the US is resisting, afraid that such reviews will lead to other weapons, such as lasers which can be used to blind, coming under attack. And many countries are reluctant to address the underlying issue of the damage inflicted over the full life cycle of a weapon, because of possible repercussions on a wide variety of other conventional weapons.

Tic Chi Sok and Man Rin Na know all about life cycles. "We are not happy when we clear the mines," says Man Rin Na, "and someone just lays a new one."

An explosion of style in a sacred grove

Paul Adams meets an Austrian artist who has revived local culture in Nigeria

When Susanne Wenger came to Nigeria from Austria 45 years ago it changed not only her life but also the life and culture of the town of Osogbo where she has helped to revive the traditions of the Yoruba people.

By mixing European art with local crafts and beliefs she founded the New Sacred Art, which has brought the artists fame far beyond Osogbo and earned her the gold medal for art and literature from the Austrian government. In the process, Wenger has ensured that Osogbo's holy groves and shrines will survive, for her own lifetime at least.

Born 80 years ago, Wenger was a prominent artist and founder of the Art Club in Vienna after the second world war before, by chance, she discovered her life's work in Nigeria.

"I didn't know Nigeria existed. I was in Paris and met Ulli Beier (a teacher from Germany). As one easily gets friendly in Paris, we got friendly," she recalls in a small unit room next to her studio.

"He was appointed a lecturer at University College in Ibadan, then affiliated to the University of London, but on one condition - that he got married."

She agreed to marry him and they spent the next two years in the sprawling Yoruba city of Ibadan, then the biggest city in Africa, where Beier helped to set up the adult education department. In Ibadan she quickly made friends with some traditional priests.

"When I got to Nigeria, I knew my arrival was serious. I had to be involved," she says. "I found there was an archaic culture, as I had found in Austria. I have always had the strongest experiences in archaic cultures."

The couple moved to Osogbo. They parted - although they remained friends - and both later remarried. Her second husband was a native of Osogbo.

He is now dead and she shares her house with a dozen or so of the extended family she has adopted over the years.

The house is a narrow three-storey Portuguese style building with no electricity but plenty of heat and mosquitoes. A huge bougainvillea grows up to the top floor where Wenger works and sleeps. A bewildering array of art and artefacts - pottery, sculpture, brass ornaments and jewellery, and colourful batik - jostle for position with stately shaped furniture in the dark rooms or on the balcony where women cook overlooking a sea of rusty corrugated iron roofs and red dirt roads.

Already initiated into the Yoruba religion when she arrived in Osogbo, Wenger became one of the oris, or priests. One of their holy places is a grove by the river Osun, a broad sweep of water which runs through tall tropical forest. Here the New Sacred Artists have created spectacular sculptures - some 20ft tall - depicting the Yoruba gods in part-human, part-animal form.

The work began when she encouraged the religious devotees to express their beliefs through art. They had absolutely no formal training, but some were descended from artisans.

"I rebuilt a shrine we needed for our ceremonies. To raise the money I sold some batiks I had made to the museum in Rhodesia (now Zimbabwe). After repairing the Osun shrine, I got some of our people to do pictures on the cement wall and I engraved them. The artists and I came together through ritual. They did on their own what I had hoped they would do."

Did they adapt their traditional crafts to modern art?

"They had no thought about it. They just exploded with their own style."

That explosion created art which is known in galleries in Europe, America and Japan. "We started using starch to make the batik

known here as *adire*. I exhibited them in good galleries in London and Paris. Then Ulli Beier helped us get wax and dyes and we started to make wax batik to improve the colours."

She found others who shared her ideas, including the late Adebayo Adedeke, a Nigerian businessman.

"He saw the New Sacred Art in Osogbo, liked it and wanted to place it next to the traditional Yoruba art. That was exactly what I was after." He decided to build a museum and bought a site in Lagos. The land has been seized by the military government since his sudden death a few years ago, but his son John is continuing to work on the project.

Although she is now small and frail-looking, Wenger still has the mental strength which helped her to win a rare battle for conservation in Nigeria - the preservation of the Osun groves.

Some Danish guns in her house - confiscated from poachers - are among the trophies of her stand against any threat to the sanctuary. As well as the illegal hunters and fishermen, these threats came from farmers who wanted to burn the grove down, Moslems suspicious of traditional religion who wanted to replace it with an Islamic school,

'The artists and I came together through ritual. They did on their own what I had hoped they would do'

and even the local chiefs who planned to sell it for building land.

After a long struggle, former military ruler Ibrahim Babangida, not a noted conservationist, was persuaded to sign a decree preserving the grove. Now the only invasion occurs each July when thousands of tourists converge on Osogbo for the Osun festival. Most are black Americans and Brazilians trying to trace their culture. Many of the slaves sent to Brazil were Yorubas and their descendants still have a form of the religion and language.

"Without Susanne Wenger, the groves would not have survived," says Sango Dero, one of the leading Osogbo artists. "There is a passage in our Ila scripture about an outsider who points out the error of our ways. We needed her," he says.

Does it not sadden Wenger that it took a European to preserve the Yoruba culture?

"Yes but you have to accept it," she says. "Something that looks bad can also be good."

She blames Christianity and Islam for nearly destroying the local culture.

"The threat to traditionalism is not the motor cars, it is the education. They created the wrong kind of schools here. The missionaries were ignorant of the local culture and treated it stupidly."

Her work has brought international recognition and a British archaeologist is trying to include the Osun grove in a proposed world heritage site in Nigeria, but John Adeleke believes that unless Nigerians make an effort her movement will not survive. He plans to set up a Susanne Wenger Foundation to help preserve the grove and her house and to encourage research into the *orisa* culture.

"The truth is that without Susanne there would be no Osun grove today," says Adeleke. "There would be a narrow stretch of river bank where the Osun maidens could go once a year during the festival, surrounded by houses and flats. Osogbo would be like all the other old Yoruba towns where there once were groves for the sacred shrines which no longer exist."

Encounters

You never know when you might need a wailer

In Portugal, no occasion is complete without a professional to lead the wailing, discovers Christina Lamb

I met a woman recently who wails for a living. At first I thought my Portuguese must have let me down again and I had misunderstood. The word she had used was *carpeleira* - something to do with carp fishing, I thought, though it seemed an unlikely specialism in one of Portugal's most arid regions. Besides, her behind was so voluminous I found it hard to imagine how she would retain her balance on a riverbank.

Then she opened her mouth to demonstrate. What came out of this small middle-aged woman with the neat bun of hair and the big black side was not a moan or a cry but truly a wail, a long shuddering wail of such epic proportions that it had the dogs howling for miles around

and sent grown men and women scurrying for cover.

When I had recovered, my ear-drums still ringing, she presented me with a business card. Maria Teixeira, Professional Wailer, it said in flowery italics. I have come across some strange professions in my time but this was a new one on me. "Excuse my ignorance," I said, "but why would anyone need a wailer?"

"You never know when you might need a wailer," she replied, reminding me of the man dressed as Elvis I had met long ago on Sunset Boulevard. He posed for a photo with me then pressed a card into my hand with Eddie Powers As

Elvis on it. "You never know when you might need an Elvis," he said. I can honestly say I have been in some tough situations when a Harrison Ford might have come in handy. But an Elvis? Never.

Meeting an Elvis impersonator is the sort of thing you expect to happen in Los Angeles. You would want your money back otherwise. But Portugal is a more sober place and I found it hard to imagine any circumstance in which a wailer might save the day.

"I do weddings, funerals, graduations," explained Teixeira. "Anything where a wail or two might add some authenticity. Usually I find after the first few wails those

gathered take over." Seeing my continuing bafflement, she added: "Think of the shame of an occasion" - she pronounced the word with special reverence - "with no wailing."

It turns out that just as English towns and villages used to have town criers, in Portugal they have wailers. "It's an honour to be the town wailer," stressed Teixeira, who comes from one of those white-washed and cobbled streets villages that the Portuguese do so well. As usual with these towns, hers has a story attached. It was given by a king to his queen after his forces successfully stormed the castle disguised as cherry trees. And I

thought the British had invented Monty Python humour.

Teixeira's wailing career began at an early age when it was discovered she had a particularly strident cry. Her mother was the family black sheep, having come from a long line of wailers and failed to make the grade herself, being unfortunately endowed with a squeaky voicebox which no amount of cod liver oil and tobacco smoke could deepen. Condemned to a life of taking in laundry, she was overjoyed when Maria came into the world with a deep, throaty and unmistakable wail. To encourage its development she took to locking Maria in cupboards or losing her in forests, fur-

ing her to wail for attention.

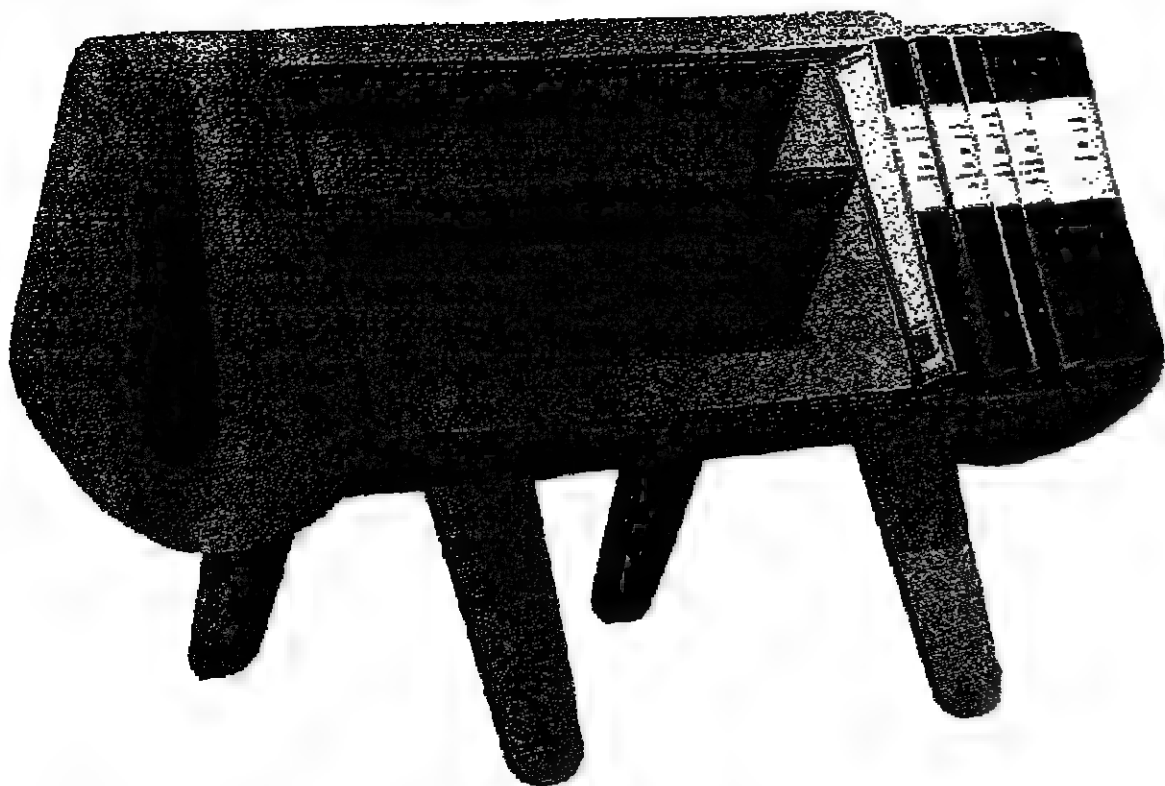
But there is more to it than just the quality of wail. Teixeira was anxious to point out. Wailers need to be able to blend in with gatherings so that it is not immediately obvious who is emitting the wail. "We wailers are performers, actresses, just as much as your Hollywood stars. I modify my wail according to the occasion." I felt honoured to be in the presence of the Emma Thompson of the wailing world. I risked my ear-drums with one last demonstration and took my leave.

Because of its place in modern Europe and its holiday resorts with "real British breakfasts" and "tea

like mother makes", it is easy to forget how traditional Portugal still is. But behind the medieval walls of its villages, you discover a different world where women yearn to be wailers, and donkeys are the main mode of transport. And, while many young people have left the countryside for the city, they have not forgotten the old ways.

Indeed, they are blending the modern and traditional. Teixeira's daughter, who has moved from the village to Lisbon, is thinking of starting wailing classes for stressed executives. "It is a great way of letting out tension," she explained as I wished her daughter luck in finding a sufficiently soundproof room. Next time I need a wailer, I know where to go.

HOW TO SPEND IT



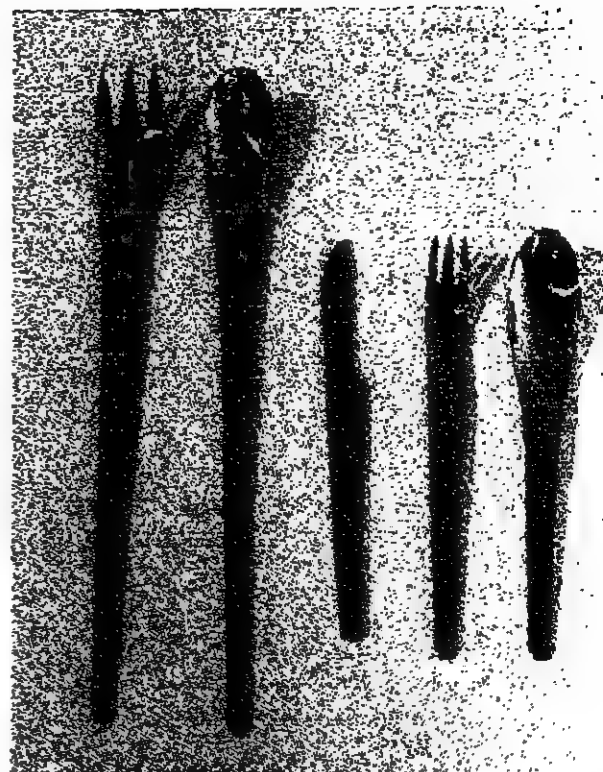
The Donkey

These days, talented British designers tend to work for non-British companies. Isokon, a London furniture company, achieved the opposite in the 1930s by hiring the émigré modernists who had fled from the Nazis to pre-war Britain.

Jack Pritchard, its owner, was a modernist and a close friend of Walter Gropius, founder of the Bauhaus. He commissioned plywood pieces from Marcel Breuer, one of the Bauhaus teachers, and smaller objects from the Austrian designer, Egon Fliss.

One of Isokon's most appealing products is the Penguin Donkey, designed in 1933. It is a literary pleasure pod that can be used to stash away magazines, books, techno toys and whatever food or drink you choose to go with them.

Available in birchwood for £275 from Windmill Furniture, Turnham Green Terrace Mews, London W4 1QU. Tel: 0181-994 7032.



Eating irons

When Stanley Kubrick filmed his futurist fantasy, 2001: A Space Odyssey, in 1968 he commissioned all the props from designers. They were told to create objects that looked as though they belonged to the future, such as the chairs dreamt up by Olivier Morgue, the French furniture maker.

But when it came to choosing cutlery, Kubrick decided on these abstract silvers of stainless steel which were designed 11 years before by Arne Jacobsen, the Danish modernist. The cutlery, like almost all Jacobsen's designs is contemporary yet effortlessly elegant.

It looked enticingly futuristic in Stanley Kubrick's 1960s spaceship and, nearly 30 years later, it still seems fresh and exciting.

A place setting costs £80 from Georg Jensen, 15 New Bond Street, London W1X 3DB. 0171-499 6541.

What I bought on a £27,000 spending spree

Alice Rawsthorn was given the opportunity to spend someone else's money on objects that she would like to live with. This is what she did...

I cannot pretend that I hesitated to say "yes", when I was asked to spend £27,000 of someone else's money on anything - or almost anything - I liked.

My spending spree started when Sir Terence Conran invited me to be the curator of this year's Conran Foundation Collection. Each year the foundation, a charity founded by Sir Terence to raise awareness of design, invites someone to spend a fixed sum on a collection of objects to be exhibited at the Design Museum in London before being sealed in the Conran archives.

The only criterion was that everything I chose had to be "things I would like to live with" which were "in current production". This ruled out blowing the budget on a bespoke John Galiano ballgown, or bidding for one of Joe Colombo's funky 1960s living systems at a 20th century furniture sale.

My choice was complicated by the fact that each object would go on public display. This meant that it would have been pointless to treat myself (or the Conran Foundation) to the most chic clothes of the season, or a series of charmingly idiosyncratic chairs.

Instead, I decided that everything I chose must conform to the classic design criteria of looking beautiful and fulfilling its function, but should also show that lateral thinking had been applied to its design either in terms of the concept, the production process, or the way the product responded to changes in the way we live.

I also made things easier for myself by asking Marc Newson, the Australian designer behind Coast, the restaurant on London's Albermarle Street, to design the exhibition. If nothing else, at least I knew it would look wonderful.

Some objects were easy to choose. The collection offered an opportunity to splash out on contemporary design. The work of Jasper Morrison, who was curator of last year's Conran Foundation Collection, has always appealed to me as the epitome of modern elegance. I snapped up one of his opulent *chaises longues* and a deceptively simple ply chair.

I also chose one of the futuristic plastic Gello tables designed by Marc Newson for 3 Suisses, the French mail order catalogue, and a mirror, a perfectly plain square of hand-beaten glass designed by Catherine Levy and Sigolène Prébois, who work together as Tse & Tse in Paris.

The collection was a chance to acquire some of my favourite design classics: one of Marcel Breuer's 1936 plywood nesting tables and the abstract fibreglass chaise that Charles

and Ray Eames designed in 1946 for a competition at the Museum of Modern Art in New York. I also treated myself to Arne Jacobsen's ascetically elegant 1960s stainless steel cocktail kit and to his 1957 cutlery which the film director, Stanley Kubrick, later used as props in 2001: A Space Odyssey.

The best examples of design lateral thinking were in the computing field. The Clipper CS-1, a mobile computer workstation that I spotted in Wired magazine, is an imaginative way of enabling people to work in privacy in open-plan spaces. Microsoft's wavy Natural Keyboard is the product of three years' research to find the best lay-out of computer keys.

My most extravagant purchase was the Gyo-an, one of a series of three collapsible tea houses designed by Shigeru Uchida, a Tokyo architect, for an exhibition in Milan last spring. The Gyo-an, an elaborate structure of latticed bamboo modelled on a traditional Zen tea house, is an exquisite object but costs £12,000.

To atone for that, I added some cheap items: a £1.95 pack of polypropylene clothes pegs from Muji in Tokyo, the 8th edition of Sigmund Freud's lectures in Penguin's 60s Series and the crushable Evian water bottles which take up a quarter of the space of conventional bottles in landfills.

Then there were clothes. I plumped for one of Tom Ford's chain belts for Gucci, a blend of easy American elegance and Italian craftsmanship, and for Helmut Lang's uncompromisingly modern satinised shift dress and metallic tank-top.

There were also a couple of examples of advances in textile technology: Rei Kawakubo's chemical nylon tulle lace slip for Comme des Garçons and a 1960s-style Prada jacket made from a crushproof mix of nylon, polyester and spandex.

There were some constraints on my spending. Some of my favourite classic designs by Joe Colombo and Carlo Mollino are out of production and, even with £27,000, some things were just too expensive.

I had planned to treat myself to some of the exquisite, but incredibly expensive glassware that Carlo Scarpa designed for Venini in the 1940s and 1950s. And after a quick flick through the Venini catalogue, I fell helplessly in love with a Scarpa dish, *Il Serpente*.

It was gorgeous but the price of £4,300 seemed high even to a woman who had just spent £12,000 on a collapsible tea house. And, after *Il Serpente*, none of the other Venini pieces seemed as covetable.

The Conran Foundation Collection exhibition is at the Design Museum, Shad Thames, London SE1 2YD until April 26.



The Dyson Dual Cyclone – stylish and new tech

When James Dyson asked the City for capital to put his vacuum cleaner designs into production four years ago, the answer was "no". He funded the project himself

and has since created 200 jobs and bagged a £3m Japanese export order. The Dual Cyclone's success proves that consumers do respond to innovative

products mixing imaginative styling with new technology. In this case a cleaning system so powerful that it picks up the smallest specks of dust and grit. One visitor

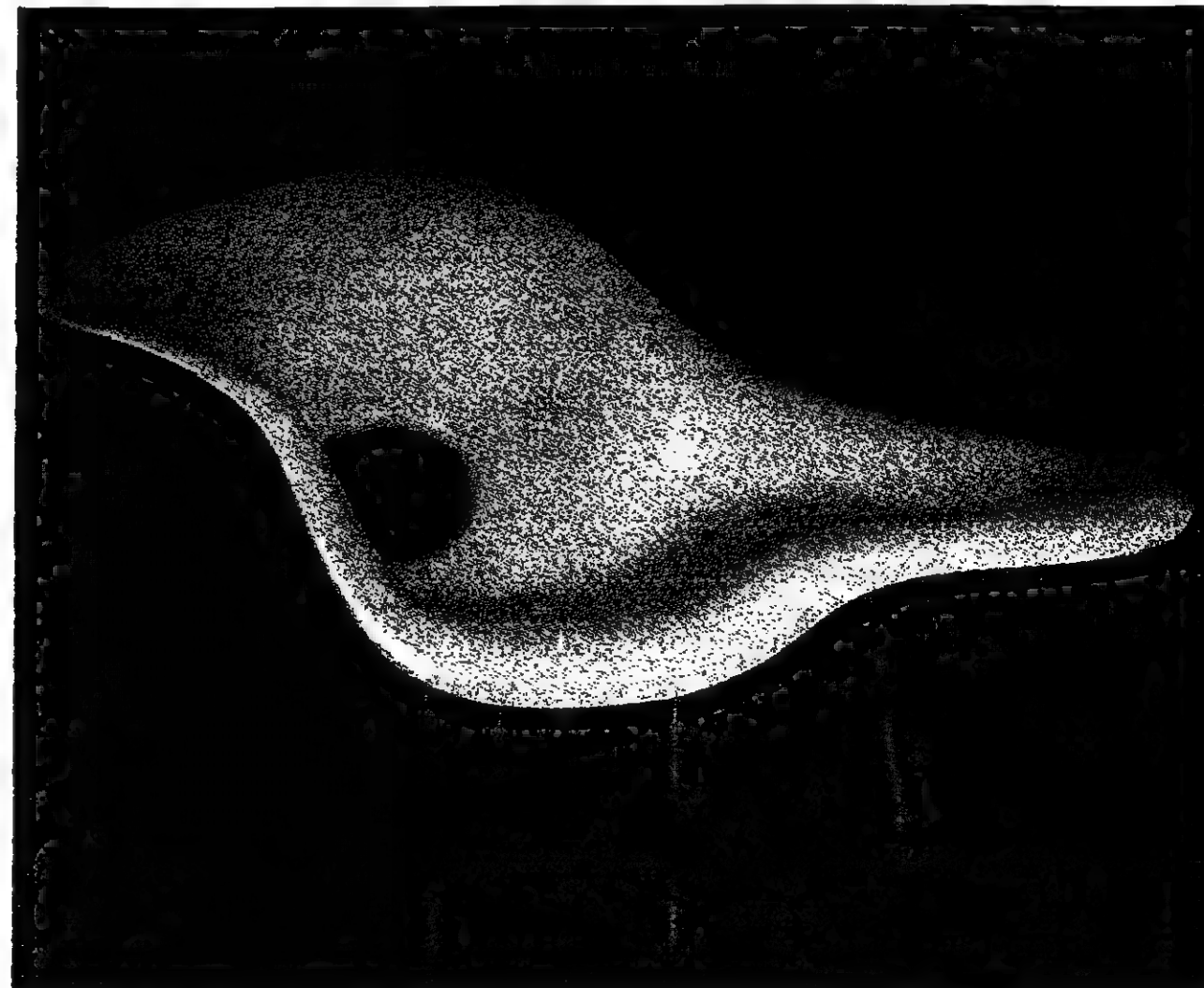
to my house said: "Wow! What a great machine." From department and electrical stores for £199. Dyson Appliances: 01656-827200



Prada's pants suit

One of the best things about Miuccia Prada's fashion is her knack of repackaging the past in a completely contemporary way. This pants suit looks like one that an icy hip Julie

Darling might have worn in *Derling*, but it is made from a combination of materials. Price £500 from Prada, 44-45 Sloane Street, London SW1X 9LU. 0171-235 0008.



Glorious piece of period design from Eames

The Eames Chaise is a glorious piece of period design. Its abstract fibreglass form could only come from the late 1940s, but is so perfectly

proportioned that it looks exquisite in any era. The only hitch is the price. Charles and Ray Eames designed it in 1946 as their entry for the Low Cost Furniture

Competition at the Museum of Modern Art in New York. They hoped to sell it for \$50, but the chaise never went into mass production. It is now made at Vitra's

state-of-the-art furniture factory in Germany and costs £2,393. From Vitra, 13 Grosvenor Street, London W1X 9PB. 0171-408 1122.

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FASHION

The year the anorak came in from the cold

Skiwear is the fashion 'must' of the moment, whether you are holidaying in Gstaad or shopping in the local high street, says Karen Wheeler

If it looks good on the ski slopes, the chances are that this winter it will look even better on the city streets. Designers have taken skiwear as their latest inspiration and the result is sporty, modern clothing that is both practical and a joy to wear - even by those who cannot tell a snow-plough turn from a tractor.

Many of the styles, such as Donna Karan's high-tech, metallic parka, could easily withstand the rigours of Aspen, Verbier or Gstaad but would also look dashing and up-to-the-minute on the high street.

Others simply draw on the best elements of skiwear - the sleek minimalism, futuristic fabrics, zipper fastenings, curvy jackets and stretch pants - and placed them in the setting of a metropolis rather than a mountain resort.

These are the sort of outdoor clothes that will brighten even the gloomiest, coldest January. Ideal for chic weekend dressing, warm quilted anoraks, futuristic parkas and Puffa-style jackets in neon bright colours can be thrown over everything from leggings to a shift dress.

"I love the fact that these clothes are warm and user-friendly and will work in so many diverse ways," says Donna Karan.

"I wear ski jackets thrown over cashmere dresses for the office, with leggings or ski pants for the weekend and I've even worn a ski parka with a fake fur collar to a black-tie dinner."

It is a sentiment echoed by Ralph Lauren, whose advertising campaign for Polo Sport features a man dressed in formal black tie with a silver ski

available on the high street.

White quilted tunic dresses with zippers, quilted A-line skirts and matching jackets in silver or turquoise at Karen Miller for example, prove that the ski look lends itself to more than the energetic outdoors.

But it is for cold-weather dressing that the ski-look is most suited. And it is amusing to note that many ski-related items previously considered staid are now considered cutting-edge style.

The humble anorak has cast aside its train-spotter image and leapt to the forefront of fashion. And it is not alone.

The sleeveless, padded jacket, has also been reinvented as a hot fashion item.

A colour palette of neon orange, yellow or blue or futuristic silver and white is the only thing which stands between it and its less hip past.

Colour is a crucial component of the ski-look - and the brighter the better. Hard though it may be to believe, the best selling shade at Esprit's store in London's Sloane Street is orange, closely followed by black.

Cropped Puffa-style jackets and sleeveless padded styles in vivid colours are very popular, says Susie Reece Jones, Esprit's marketing director.

"People of all ages are buying and they are wearing the garments in unusual ways. I've seen our sleeveless orange jacket worn with a long black dress and it looked terrific."

According to Donna Karan, bright colours are a way of asserting your individuality. "Brightly coloured ski jackets are really fun if you wear a lot of black - which most New Yorkers do."

Alternatively she suggests that "silvers and whites look very clean and modern". The DKNY shop in Bond Street, London, is a veritable winter wonderland of colourful ski-inspired clothing. Even if strict tailoring and fashion-pack-black is your thing, there you can find yourself hankering over cobalt blue metallic ski parkas, padded jackets in taxi cab yellow and down-filled jackets in neon orange.

It was Klaus Obermeyer, a Bavarian, who invented the first quilted ski parka in 1930. Forty-five years later, it features in every designer collection from Giorgio Armani to Georges Rech. The irony of course is that the ski-look started as a streetwise look with hip youngsters and rap musicians adopting the padded jacket long before Prada et al gave it designer cachet and mainstream appeal.

Fittingly, some of the best versions are available at high street stores. Benetton has chic nylon anoraks and cropped Puffa-style jackets in silver or orange; Marks and Spencer has a classic padded jacket in black; while Warehouse has ski-inspired anoraks in silver and Joseph stocks a sporty, quilted jacket in lipstick red.

For my money however, the best high street buy is French Connection's padded duck-down jacket, at £99, in pale cream, citrus, lavender and black.

To comply with the demands of minimalism, a drawstring is cleverly concealed on the inside so that it can be cinched in at the waist for a leaner, body-conscious effect. A high collar and hidden zip add to the feeling of modernity.

Even bag designer Bill Amberg has paid homage to the ski slopes with a Puffa-style rucksack or shopper bag in orange or white leather. Provided that go-faster stripes, patterns and embellishments are avoided, this is one trend which looks good on just about everyone.

Sleek, modern and the ultimate in feel-good clothing, this season skiwear is as much at home in a chic urban bar as it is schussing down the slopes of St Moritz.



Cobalt blue metallic ski jacket, £275, and white fleece zip-up top, £195, by DKNY, 27 Old Bond Street, London W1. (0171-489 8089). White leggings with earth stripes £80 by Red or Dead (0171-637 3137). White patent boots £79.99 to order from Hobbs (0171-588 8885)

PhotographerGlen Burnip
represented by Sarah Daw, with
thanks to Direct Lighting.

Make-upDaniel Sender at
Michaeljohn Management using
Clinique.

HairHarry King at Michaeljohn
Management.

parka over the top.

Fellow American Michael Kors admitted to designing much of his collection around the image of Audrey Hepburn on the ski slopes at the start of the film *Charade*.

Perhaps it is not surprising that American designers are captivated by the ski-look. After all, they are renowned for their practical approach to fashion and they love clothes that suggest dynamism. Even if you are just in the park with the children or dashing to the shops, a ski anorak suggests a certain athleticism.

Being fit is akin to being fashionable. The emphasis on skiwear reflects the impact of sport generally, says designer Sam de Teran. "Fashion has been influenced by riding and tennis clothing in recent seasons - now it's the turn of skiing."

Teran makes real skiwear but roughly half the customers at her shop in Fulham, south west London, are buying her spare, zip-up jackets in futuristic white or ice blue to wear as fashion items.

"They wear them in the same way as they would a leather jacket - with jeans or leggings. And because I use high-tech fabrics they have the advantages that they are warm, windproof and water resistant," she says. The trend for synthetic fabrics, particularly nylon, has helped make the ski-inspired look chic. Designers are increasingly fascinated by high performance fabrics.

Miuuccia Prada, who led fashion's high-tech revolution over a year ago, and whose curvy, white quilted jacket became a seminal piece this season, is credited with influencing the avalanche of ski-inspired styles

■ Above: orange nylon quilted jacket, £355, from Benetton (stockist inquiries: 0171-731 4589). Orange boucle top, £78, by Mizzlars, 32 Sloane Street, London SW1 (0171-235 7941). White ski leggings, £105, by DKNY, 27 Old Bond Street, London W1. Ankle boots, £125, from selected branches of Russell and Bromley (0171-929 6003).

■ Left: white zip-up jacket, £270, by Sam de Teran, 181 Fulham Road (0171-584 0902). Orange ski pants, £143, by Mizzlars.

■ Right: silver quilted jacket, £160, by Karen Miller, 535 Kings Road, London SW3 (stockist inquiries: 01622-664032). White fleece top, £195, and white ski pants, £105, by DKNY. Silver boots, £79.99, from Hobbs. Sunglasses, £78, by Cutler and Gross, 16 Knightsbridge Green, SW1 (0171-581 2250).

■ Far right: yellow quilted coat, £263, top £78, ski pants, £143 and hat all by Mizzlars.

SALE

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OUTDOORS

Property

Paris is still a city with style

Gerald Cadogan looks at top-class homes in the French capital

In the 7th arrondissement of Paris is a house of style and space. The Hôtel Lorrain, at 38 rue Barbet de Jouy, is a mid-19th century house built in a pure 18th century style in dressed ashlar masonry.

The main facade is flanked by two pavilions, one now a garage and the other the *conciergerie* quarters. At the back is a garden, with a stone basin and fountain that Le Notre could have designed, and views towards the gilt dome of Les Invalides.

It has marble fireplaces and Versailles parquet, but also 17th and 18th century panelling removed from other houses of quality, such as the Hôtel de Broglie.

The cost of all this magnificence is FF60m (£7.86m). The house has about 900 sq m of space on four floors, with 10 bedrooms and a parade of grand reception rooms on the first floor.

Part of the home's attraction is that it is a whole house and garden in a city of flats.

So who will buy this desirable Paris residence? Agent Philip Hawkes (tel: Paris 0033-1-43 88 11 11) thinks it will probably go to a Frenchman. If it is a foreigner it is likely to be someone imbued with—and a connoisseur of—traditional French culture.

Hawkes is an Englishman who has been working in Paris since 1976 and since 1986 has run his own company. Most of his clients are French and he has made his reputation by selling top-notch properties in Paris and the country.

The past year has been a slow one for the Paris property market. "A year of wait and see," says Richard Crosthwaite, of Knight Frank, another English agent which has an office in Paris.

The strong franc was one culprit—devaluation would do wonders for

the market. As British holidaymakers know, it stood all year between FF7 and FF8 to the pound, a painful drop from the familiar FF10 of a few years ago.

The threat of Algerian extremism has not helped to win overseas buyers either, however phlegmatic the Parisians have been in the face of these IRA-style perils in the capital.

Last month's public transport strikes probably did not help either, although it is hard to tell what the long-term effect will be. They were certainly a temporary disincentive. Perhaps it is no coincidence that "there has been quite a flurry of people interested in manoirs and châteaux" in the country, as the Philip Hawkes agency says.

Estate agents are longing for a shock stimulation on the banks of the Seine like the September 1992 devaluation of the pound which perked up the prime London market. Crosthwaite believes there is plenty of foreign demand waiting in the wings. For Middle Easterners, Paris remains "a traditional home from home". The new element is east Asia where, on a recent road show, he sold plenty of flats in the Fassy Plaza development (Paris 18th).

A very small number of properties at the top end of the market were sold in 1995. At best, the market has been on hold, says Crosthwaite, "like London just over three years ago". Many prices have come down, making buying and selling slow and difficult. "It is hard to induce people to buy when prices may well carry on falling," adds Philip Hawkes, who sees yet another disincentive in stamp duty and notary's fees adding about 7 per cent to the price.

"The things that are really cheap in Paris are not necessarily what you want to buy," he says, pointing to properties in the suburbs that



The Hôtel Lorrain (38 rue Barbet de Jouy) is a mid-19th century Paris house built in a pure 18th century style

the banks have called in.

In central Paris, which is a small area, repossession have been relatively few. "If you have the time, you may well find a bargain there." But the Paris market is always so confidential that it is hard to know what may be for sale. Often, it depends on the agreement of all the members of a family.

Flats are the mainstay of Paris housing, and have a built-in grandeur and style (since they were designed as apartment houses around a wide central staircase).

Crosthwaite expects more modern schemes to appear in Paris, to judge from the interest from British, German and US developers. These new blocks will have one big difference

from the old apartment houses. They will offer Manhattan-style porters behind a desk in the entrance hall—a far cry from "the *conciergerie* in a cubby-hole at the foot of the stairs", says Crosthwaite.

Rents, as well as capital values in Paris, have come down. A prime three-bedroom flat in the 6th, 7th, 8th and 9th arrondissements which would have cost FF12,500 a month in October 1993, was FF11,500 two years later, Knight Frank estimates. Likewise, Rowan Corporate Relocation quotes current rents of FF7,500 to FF8,000 for a two-bedroom flat—and FF11,000 to FF12,500 for a three-bedroom house—in good residential areas.

Hawkes and Crosthwaite are

mildly hopeful for 1996. If the franc were to devalue, it would be a different market overnight. Central Paris prices would probably rise sharply, as they did in London after September 1992. Even pounds would go further.

In the Place des États-Unis in the 16th, Hawkes is offering a sumptuous first-floor flat of about 220 sq m facing south-east on to the square and looking down to the Avenue d'Iéna. The cost is FF9m.

This looks a lot but the grand *salon* of 69 sq m (a third of the floor space) makes it less surprising. With a high ceiling, red marble fireplace, damask walls and a *parquet de Versailles* floor, it is ideal for entertaining in *belles époque* style.

Cadogan's Place / Gerald Cadogan

A firm by any other name

Farewell Rutley. After 100 years on the masthead of the UK's leading estate agents, Knight Frank & Rutley, the firm has opened its centenary year by dropping him. EFR has become Knight Frank. Little is known about William Rutley, one of three founding partners in 1886, except that he was a valuer for paintings and antiques. The other partners were John Knight, an auctioneer, and Howard Frank, an estate agent and the first senior partner.

Auctioning chattels formed the bulk of the new firm's business but in 1897, when Edward Hudson started Country Life, the country house market took a new turn and Frank leapt in.

KFR's first full-page advertisement in August 1898 gives the flavour of his selling line. "Overlooking the Wyke Elizabethan mansion, grounds of indescribable beauty" was one property. Another was just the thing for robber barons: "To wealthy South Africans and City men—north of London—to be sold, a freehold residential estate suitable for those desirous of entertaining largely".

By 1902 the property side had overtaken auctions. In 1910 KFR moved to 20 Hanover Square, London W1, a handsome Georgian town house.

In the same year KFR offered the Chequers estate for sale, although not the house which was to become the prime minister's country seat. KFR's involvement in other important properties included Stonehenge (1918), the Royal Naval College at Greenwich (1935), and many Scottish estates, such as Dumbarton, which it sold in 1936 for £30,000 and is now offering for £3m.

KFR also valued Sandringham (at £200,000) for the Duke of Windsor in the financial settlement on his abdication, amassed buildings in Grosvenor Square after the war for the site for the new US Embassy and sold Churchill's twin houses (27 and 28 Hyde Park Gate) by auction after his death—for £102,500.

Knight Frank's headquarters are still in Hanover Square, and the firm will stay a partnership, says senior partner Bill Yates. There is no intention of becoming a quoted public limited company, as some of its rivals have done—with sometimes unhappy results for the shareholders.

Several houses by known architects are for sale. □ 2 Thurloe Street, London SW7, is a classic stuccoed house with portico by George Basevi (1845). It has been in the same ownership since 1947, and still has an outside lavatory for the gardener. W.A. Ellis (0171-581 765-4), £585,000.

□ The Vineyard near Saffron Walden in Essex is a striking brick and stone Victorian Gothic villa by William Beck. It is strikingly similar to many buildings at Harrow School, which are also uncompromisingly avant-garde for the time. Bidwells (01223-941842), £700,000 (with 20 acres).

□ Dalrymple at Barley in north Hertfordshire was built by Edgar Wood and J. Henry Sellers (1897) of Manchester, leaders in the Arts and Crafts movement, for a mill owner who escaped the Russian revolution. Now listed grade II*, it is a brick house which anticipates modernism in Britain by many years. An intriguing property. Jackson-Stops (0171-589 4636), £475,000.

□ Also grade II* is an Anglican chapel and crypt, once part of St Peter's convent in Woking in Surrey, by J.L. Pearson (1900). The chapel still has a working organ (from 1904) and lavish stained glass and marble. Its design reflects Pearson's visit to Italy in 1878: the crypt is Byzantine in style. Curchods (01483-776644), offers over £250,000 from parties who intend to continue to use it for divine worship.

■ In my article on forestry (Weekend FT, December 9/10), the telephone number of Nibhill Economic Forestry should have been 01786-911721.

Gardening / Robin Lane Fox

Old resolutions for a brighter new year

The frost over Christmas has sharpened all our new year resolutions in England. Curiously, it seems to have done little damage, although I have had to look back to 1947 for evidence of the iced rain which sat on evergreens and hedges last Saturday.

Hoping that we have seen the end of it, I would like to encourage those who have new plans, new gardens or old traumas in 1996.

I cannot agree with the new year encouragement of the advisers on *Gardeners' Question Time*. They seem to think that considered taste and artistry are snobbish and continue to tell listeners to go out and put whatever plants they want into one riotous combination. Anything seems to go, in these panellists' minds.

I wonder if they take a similar view of cooking? Anyone who walks into the kitchen and throws together the first ingredients which come to mind will end up with indigestion or worse.

Recipe books are not called elixirs, but as soon as anyone suggests that carnation petunias and ill-considered French marigolds look best together, they are accused of being snobbish, dismissive and socially incorrect.

My new year encouragement is quite different. Anyone who likes gardening and minds about it, is concerned to place, please and present plants as appealingly as possible.

This presentation involves the eye of an artist for colour and shape, the knowledge of a cultivator for soil, aspect and variety, and the sixth sense of a landscaper for the rare ability to match a style and design to its surroundings.

Good professional designers may perhaps combine all three arts, but they confront me just as often in the gardens of people from every walk of life and social position. Together, they would make a very odd elite, but after years of talking to them and learning from them, I think we agree on one reassuring principle.

Making a garden is a process, not a blueprint. I cannot encourage you enough if you find that you are progressing gradually, changing your mind or seeing a new opportunity

after several years on the same site.

The whole pursuit is a process in which one idea suggests another. I have battered away at the same miserable site for six years now, and sometimes I wonder how I can have been so blind to the need for moves which I have only just made.

Surely it was obvious that the left-hand side of the garden needed height and the right-hand side needed some emphatic beds in the shade of a belt of trees?

Surely I ought to have realised that the lower third of the site needed jazzing up with

imaginative touches, apart from my initial lines of clipped trees?

I see all these necessities now, and others which would be already mature if only I had acted sooner.

I also know that I could not have seen them, even in my hardened mind's eye, until the more urgent, basic planting was developing. Its shape and shadows suggest the next move. Perhaps you want a designer to lay out your garden, but there has never been a good garden which can be laid out off the drawing board and left to mature.

That approach limits you to clipped greenery and a few formal trees. It denies you the charms of a personal landscape which is shifting and changing every year, like life itself.

You may be wondering if I think these thoughts because I am not much good at blueprinting myself. The answer is that all the best-known planners and designers admit to similar progress.

It was extremely pleasant to find that Rosemary Verey had been honoured with an OBE

last week, and I take particular comfort from her own descriptions of her progress to this medal-winning status.

In her recent book, *The Making of a Garden*, she is explicit about the many changes, retreats and alterations which have been forced on her plans at home since the late 1960s.

"As well as the mistakes, there were the disappointments... Quite soon, I abandoned the ambition for my red border." The secret of the greatest of all gardens, at Sissinghurst, is no different. The owners were always changing their mind and much of the planting has continued to

evolve since their death. The famous red and yellow Cottage Garden began life with bushes of the rather awful Rose Betty Upchurch, as I remember discovering from their planter's own notebooks.

The interesting book by Tony Lord, *Gardening at Sissinghurst*, is continuous proof that gardening is a process, as he lists the many changes, zig-zags and innovations in the garden's basic plan.

Even the plan did not emerge fully-fledged from its author's mind: if someone had told them to freeze their first thoughts because they were the blueprint and nothing more would follow, except the bill, the place would look most peculiar.

Whether you are starting, continuing or feeling arthritic, my message for 1996 is to keep steadily on, accepting and enjoying the process, not trying to leap-frog all the stages in one go.

Many, including myself, have emphasised the importance of rooting out plants which do not look right or are second rate. Indeed, elimina-

tion is part of the process, but I must also add for beginners and middle-aged persons in a role too.

Not enough is said about the importance of not judging a tree or a shrub too soon. I think it is my own worst crime. Newly planted trees give you no clear idea of their potential charm until several years have passed.

The recent dry summers have caused them to put out small, distressed leaves and flowers or fruits in reduced and unseasonal quantity. You would never have persisted with my varieties of ornamental Malus or my flowering Pterostyrax if you had seen them in their third or fourth year.

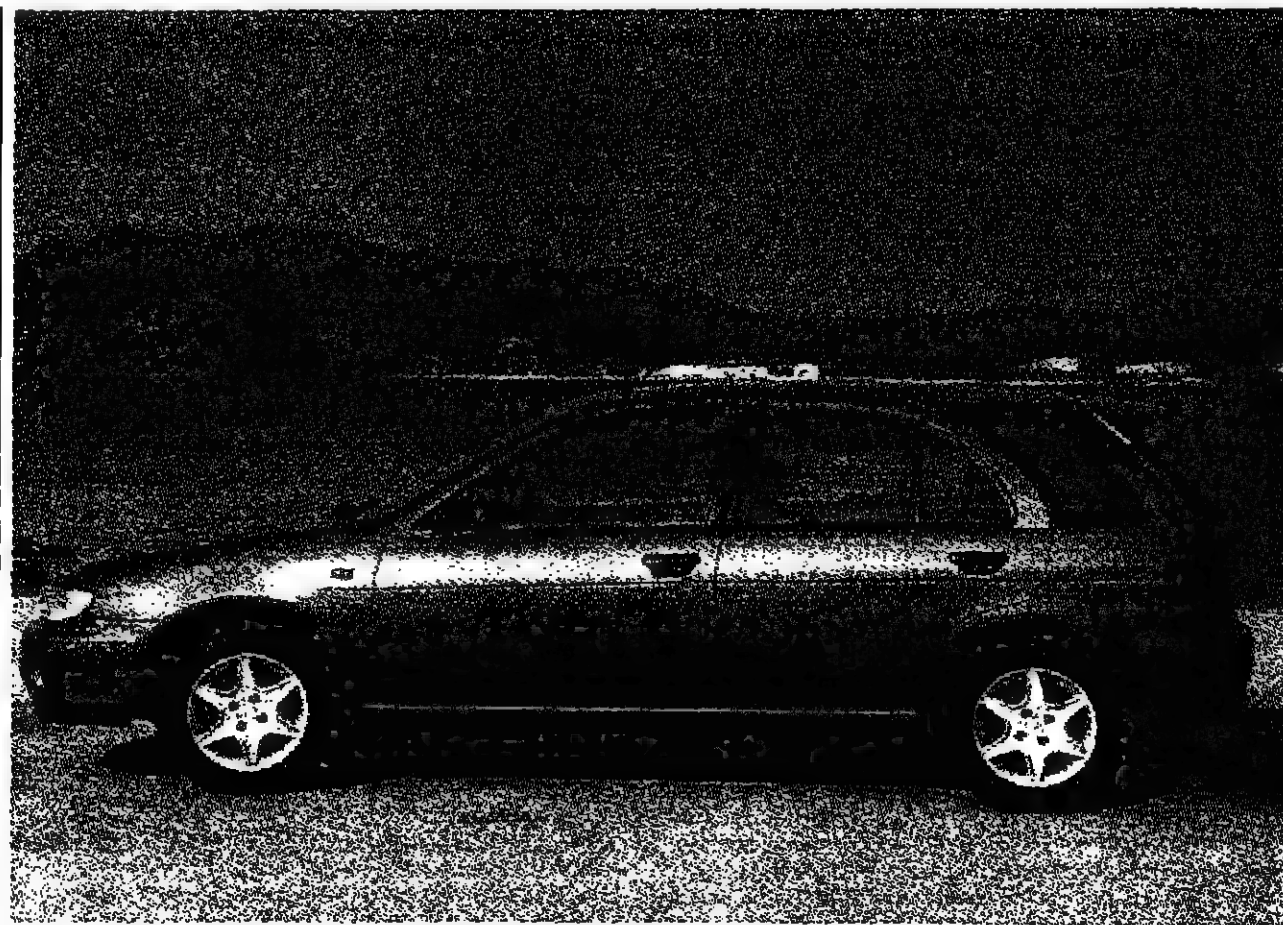
Make your mind up initially and always assume that the developed result will be far wider and more emphatic than you can imagine. Then, leave it alone because almost every shrub or tree will sit and look as if it is going nowhere for up to five years before a sudden acceleration of top-growth and form.

The intervening years are spent establishing roots which you cannot see. My main regrets are the trees which I moved too soon or discarded as ineffective in their early years. I would urge patience on any new planter, remarking that the development of these main features is itself a reason why any plan must be a process. You cannot see what would look best against the distant canopy of a Robinia or a Sorbus until that canopy is showing and suggesting ideas.

The pleasant presence of a slow process is a reason why it always seems to me right that this newspaper should carry a column on gardening.

I think I believe that investors repeat their worst faults in their gardens too: if they are impatient, risky or indecisive with their money, they will be equally at fault with plants.

Hits and misses will effect each process equally and, whenever I am chastened by my colleagues' repetition of the principles of repetition Warren Buffett, I reflect that the same principles would have done my gardening and yours no end of good. This year, like every other, is the one in which to vow to make a new start.



A stylish mess around the rear quarters, but the Almera five-door is another competent Nissan

Motoring / Stuart Marshall

Nissan at home in England

For nine years Nissan has been making cars in north-east England. British motorists—and the all-important fleet buyers—now see the same as more than just a Japanese marque. They reckon Nissan is one of them.

In all, more than 1.2m Nissan cars have rolled off the assembly lines at Washington, County Durham. First was the Bluebird, next the Primera and, most recently, the Micra. The fourth Nissan to be British-built will be the new Primera. Production starts in July and it will go on sale in Europe in October immediately after unveiling at Paris motor show.

Nissan has been a big spender in Britain: by the time the new Primera is in full production, £1.25bn will have been invested. Around 5,000 Britons are on the payroll. Two of its three European technical centres are at Cranfield, Bedfordshire. So, although by industry standards it is a newcomer, Nissan is just as British a car maker as Ford or Vauxhall.

When Nissan cars were still known as Datsuns—which they were until mid-1981—their main claims to fame were reliability and fuel economy.

Buyers were not put off too much by odd names such as Sunny, Cherry and Violet or by their primitive rear suspensions. They were, of course, all made in Japan. But, with one pound sterling then worth more than 600 yen, they were not only cheap but had all manner of neat extras thrown in that other manufacturers would normally have charged for.

I have just finished driving four Nissans over several weeks and 2,000 miles (3,200km). The QX and Almera were Japanese, the Micra and Primera were made in north-east England.

Describing four cars with a price span from £7,450 (the Micra 1 litre) to £19,100 (QX SE 2 litre) as having a great deal in common needs some explanation. What I mean is that the Micra was so willing and refined, and so eager to keep

up with the motorway pack, that its small size and low price seemed irrelevant.

And the QX, which surely has one of the best V6 engines on offer, regardless of price, combined small-car nimbleness in city streets with luxury car silence. All four Nissans were quite low geared but their engines did not fuss on the motorway and pulled smoothly in the higher gears in town.

The Primera I tried was the 1.6 LX, at £13,350 the lowest priced of the 19-strong range. When Ford was developing the Mondeo, it used the Primera as a benchmark for suppression of NVH—noise, vibration and harshness. It shows.

A Primera 1.6 LX looks rather anonymous but is nicely refined. Yes, it is unexciting, but it is a competent provider of personal transport for up to four people with a massively spacious boot. Like all Nissans, its five-speed gearbox is slick and finger-light.

Last, but not least, the Almera, was launched in Britain late last year with an

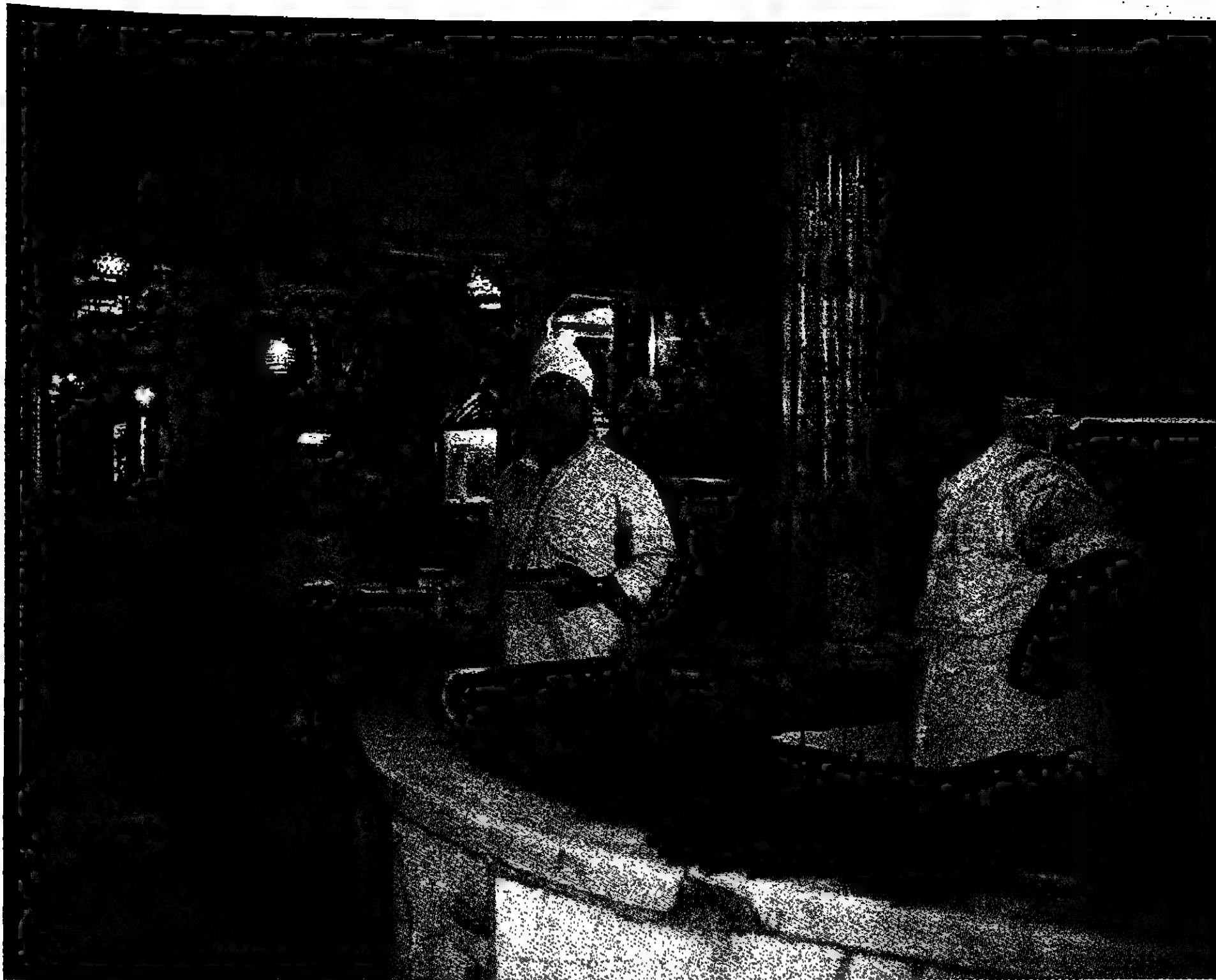
advertising campaign that was, I think, supposed to be funny. But it was so flat-footed and irritating that nothing would have persuaded me to visit my local Nissan dealer for a test drive.

If it had the same effect on many potential buyers, that is a pity. As a small/medium family car, Almera is as good as anything of similar cost. Prices range from £9,750 for a 3-door 1.4 Equator to £12,850 for a 1.6 SRi or SLX 5-door.

The three-door models are better looking than the five-doors, which are a stylistic mess around the rear quarters. An unhappy mix of curves and straight lines makes a five-door Almera's tail looks like the result of an unresolved argument in the design studio.

But do not let the styling (and those crass "The car they don't want you to have" adverts) put you off. The 1.6 SRi Almera 5-door seemed as roomy inside as a Primera, went equally well and offered similar fuel economy (close to 40mpg/7.1/100km).

FOOD AND DRINK



A falafel restaurant in Cairo: a popular food throughout the Middle East

Eating out

Feasts in the Middle East

Nicholas Woodsworth goes in search of freshly-fried falafels and mouth-watering mezze

In England, eating on the run – breaking a busy schedule – is not often a happy experience. Ever since eating a meal at a motorway restaurant in Watford Gap – saddle of lamb, with the accent on saddle – I know why the place surfaces from time to time in comedy routines or sad laments on the decline of western civilisation.

But what about eastern civilisation? How does the busy European traveller treat his stomach as he zips between souks, street stalls and strange cities on the far side of Suez? Not long ago I returned from a tour of the Middle East, and from my travel journal offer these homunculi-stained pages.

□ The Great Falafel Hunt, Jerusalem. The warren of streets in Jerusalem's walled city are packed with more history, more colour, more religious sites than any other in the world. They are also packed with more tourists, each trying to see as much as possible in no time at all.

It is hardly surprising, then, that the falafel flourishes here. There may be no celestial golden arches hovering over the falafel stands of Jerusalem, but this tasteful-of-foods is the Middle East's triumphant answer to the Big Mac.

Not all falafels deserve songs of praise. All have the same basic make-up – deep-fried balls of chick-pea flour are stuffed into unleavened pitta bread and garnished with condiments – but no two falafel makers have quite the same way of going about their business. Among aficionados the debate about where to get the best in town rages on.

Some claim it is the herbs in the chick-pea batter that does the trick. Others say hot falafels freshly fried in clean oil make all the difference. Certainly these things count, but for me it is the garnish that tips the balance.

Some so-called falafel-makers cavalierly toss in chopped cabbage and let

it go at that. Prouder men, however, will build you a succulent construction so massive that it is difficult to use Texan-speak to wrap your jaws around it. Pickled peppers, carrots and cauliflower, stewed aubergine, tomatoes, cucumbers, onions, red chilli sauce, dill pickles, and the sesame seed paste known as *tahini* are just some of the condiments that will fall into your lap from a well-filled falafel.

I cannot tell you the name of my favourite stand in Jerusalem, for it is tiny and has none. Nor the name of the owner, for it is so busy there is a continuously changing roster of brothers, uncles, cousins and nephews busy behind the counter.

But it is easy to find – it sits in the Arab quarter at the fork at the bottom of the stone stairs inside the Damascus Gate. Just follow the crowd and the occasional pickle fallen by the wayside.

□ The Al-Aqsa Restaurant, Nabulus. Ham and eggs are not on the menu in any Moslem restaurant, of course, so what do they eat for breakfast in Nabulus, the biggest town on the West Bank? Like Egyptians, I found out, Palestinians are full of beans in the morning.

In the Al-Aqsa, a popular morning spot, I watched moustachioed, white-jacketed Hazim go through the same practised routine. Repetitively dipping a long-handled ladle into the narrow neck of a beaten metal urn, he filled bowl after bowl with steaming *foul*, a thick porridge of fava beans. Splashed with hot green chilli sauce and a shot of *tahini*. *Foul* is a breakfast to set anyone up for the day.

As if that were not enough, most of Hazim's patrons opt for a second dish as well. Hoummus – cooked, ground chick-pea paste – is the culinary standby of the Middle East, and offered everywhere and at any hour. But served fresh, as creamy with olive oil as it is tangy with garlic and

lemon juice. It gives the morning a special zest. I defy anyone even to think of ham and eggs after a breakfast at the Al-Aqsa.

□ The Al-Quds pastry shop, Amman. Amman is a modern, not terribly interesting city – walking its streets at night is like eternally trudging London's Edgware Road. Things brightened up considerably, however, when I gazed through a display window on to a vast circular tray of one of the Levant's most attractive sweets, *kinafa*.

Rose water, pine nuts, pistachios –

The soldiers sit day after day in the country that offers the best cuisine in the Middle East. And what do they eat?

no matter what the additives, most Middle-Eastern sweets are based on the same technique, the soaking of millefeuille pastry in honey or heavy syrup. They are generally too sweet for western tastes. But *kinafa* is different.

The baked, shredded wheat that layers its surface is indeed drenched in syrup. Underneath it, however, lies a thick bed of creamy, half-melted, slightly salty-tasting goat's cheese. The combination is rich but delightful. If I can find *kinafa* on the London's Edgware Road, I have decided, I will spend more time there.

□ The Syria Palace, Aqaba. Aqaba sits at the top of the Gulf of Aqaba, on a stretch of water that accommodates four countries – Jordan, Saudi Arabia, Israel and Egypt. It is a small place, but has an international, holiday-making feel to it.

Young Saudi sheiks blast in from the desert in natty red sports cars looking for women and wine: Israeli tourists pass through from next-door Eliat; ferries steam over from Egypt. In keeping with this regional ambience, the Syria Palace serves that most renowned of regional specialties, *mezze*.

Mezze are not one thing, but many, a selection of appetising little offerings often eaten as hors-d'oeuvres with drinks before a meal. In the Syria Palace they are good and substantial enough to make an entire meal.

My favourite *mezze* is *baba ghanoush* – spiced, pureed aubergine. With the skin removed by blistering it off on the coals of a fire, the vegetable retains a wonderful smoky taste. Excellent, too, is *liban* – thick yoghurt served plain, or flavoured with garlic or hot peppers. Avocado puree has its enthusiasts. So do artichoke hearts in oil. *Takini* salad with walnuts is popular.

The list is endless. Surely no one could order again after such a feast. I thought as I sat back and gazed across the Gulf to the mountains of the Sinai. Then I saw a grilled, black-banded sea bream, a fragrant delicacy from the Red Sea, arrive at the table next to mine. I thought once more, and ordered again.

□ Zaki's, Akko. Akko, the old medieval port of Acre on Israel's Mediterranean coast, can be a damp and bone-chilling place on cold winter nights. But Zaki, who runs a small *shurama* place down near the water, had the perfect remedy – *saghlab*.

Saghlab is a thick, sweet, milky winter drink, the Arab equivalent of cocoa. It is more substantial, though, for into it one stirs crushed nuts, raisins and grated coconut. I find it even

more comforting than cocoa. If the secret of *saghlab* ever gets out to the west, Zaki agrees, Cadbury might go under.

□ Finnish Battalion HQ mess, south Lebanon. The Finnish UN soldiers with whom I spent a couple of days in Israel's heavily-militarised Lebanese security zone are nice fellows, but doomed to eternal blandness.

There they sit day after day in the country that offers the best cuisine in the entire Middle East. And what do they eat? Milk and cookies, oat porridge, rye-flour crackers, soupy stews and starchy soups of no determinable taste.

I am not surprised, frankly, that they have failed to solve the country's problems. □ Bardola village, West Bank. Back in Palestinian country, I was happy to slow down long enough to be invited to eat *mansaf* at the home of my friend Ali.

Mansaf is the traditional specialty of the Bedouin, a great feast of lamb and saffron rice drenched in yoghurt sauce. It is usually eaten at weddings, births or other happy celebrations uniting friends, families, or whole villages.

Offered by a desert people who have often had to endure long periods of scarcity, it is a meal of conspicuous consumption – I know one Palestinian woman who claims her uncle, a small and elderly man, once ate an entire lamb single-handed at a village *mansaf* feast.

Our dinner was not quite so sybaritic affair, being limited merely to Ali's parents and his 16 brothers and sisters. Nonetheless, as the males of the family sat around an enormous, single, mounded platter and tore strips of bread off unleavened loaves the size of car tyres, I cast my mind back to another, less sumptuous meal of lamb, Watford Gap. It seemed to me, lay very far away.

Finally, there is a delicious Springbank "Hundred Proof", a 12-year-old whisky with lots of complexity and a nice orange like aroma (£29.75). Here is a malt which was clearly at one with its cask.

Giles MacDonald

Appetisers

Coming soon: Lunch for a Fiver

Lunch for a Fiver starts next Saturday, January 13, when UK readers of Weekend FT will be given details of participating restaurants.

This year there are a record number taking part over a wider area of England, Scotland and Wales. It is hoped it will add value and enliven what might otherwise be a dull January fortnight.

There will be cash prizes for those restaurants judged by FT readers to have offered the best in each price category. Lunch for a Fiver (£7.50 and £10) will run from Monday January 15 to Friday January 26.

Nicholas Lander

Now I wonder where London's Savoy Group got this idea from? Lunch or dinner for £8 (including VAT) throughout January at Simpson's-in-the-

Strand (tel 0171-340 6888), Braserie St Quentin (0171-589 8005) and Grill St Quentin (0171-581 8377) and breakfast for £8 at Simpson's.

If booking for dinner you must sit down before 8pm and ensure there are no more than eight people in your party.

Jill James

A photograph of a chef clutching a duck and a chicken (live) to his bosom is unlikely to have vegetarians queuing up at The Savoy's River Restaurant (except in protest).

But, with the fad for guest chefs rampant in the London

hotel trade, the Savoy has invited Silvio Rivolta, chef proprietor of the Michelin-rated Ristorante Bontan, near Turin, to cook the light, simple low-fat dishes which are his hallmark, from January 29 to February 8. He will also be holding a cookery demonstration on February 10.

Rivolta's dishes will include sliced breast of guinea fowl with citrus fruits, lobster salad with pomegranate and walnuts and penne with clams in a basil and tomato sauce.

A three-course lunch will cost £20, dinner £29.50, the menu degustation £65 and a

four-course dinner £45. (Tel: 0171-836 4343 for details).

I hope the cooking's good: I dread to think what puns on the chef's good name will otherwise be invoked by London's restaurant critics.

JJ

Glennmorangie distillery in Tain on the Dornoch Firth is continuing its policy of "finishing" some batches of whisky in different casks. This seems to be recreating the experiments of those canny Scottish grocers who first discovered that an old cask could be put to good use where young whisky was concerned.

Two years ago we had a Glenmorangie finished in old port casks. This year there is a 1976 housed five years in an old Hermitage cask from Tain in the Rhône Valley and another which seems to have spent rather less time in a Madeira drum.

Of the two I found the Tain cask had imparted a certain pleasing sweetness, but that the madeira vessel had failed to contribute any appreciable refinement to the whisky. Both are available from Oddbins at £34.75.

If you are re-stocking your drinks cabinet for Burns night

this month, Oddbins has a mixed bag of malts. The 10-year-old Glen Grant smells of rancid butter, which is disagreeable, but the Glen Garloch 1972 (£34.99) is wonderfully peaty for a Speyside: quite a surprise. The whisky harks back to a day when Speyside was less frightened of peat than it is now. Three whiskies come from Hart Brothers' stock: a good heathery 1976 from Benromach on Speyside (£29.75); and a 1973 Ledaig from Mull (£29.75) with a restrained island character. I have had better bottlings of Highland Park.

Cookery / Philippa Davenport

A time for thoughts to turn to jelly

The feasts of Christmas and the new year should leave us feeling joyously fated. In practice many people feel satiated, as stuffed as the turkey. Twelfth Night must be celebrated as the special occasion it is, of course, but after the 11-day marathon most cooks and those gathered round their tables may be hoping and praying for lightness of touch in the kitchen department. Nothing too rich or elaborate. No heavyweight dishes that might lie reproachfully on the stomach.

The menu I have in mind is slightly unconventional in its format. It will begin with oysters, simply served with wedges of lemon and brown bread and butter.

To follow there will be towering, creamy, classic cheese soufflés, partnered perhaps by the agreeable bitterness of lightly fried or pan-braised Belgian chitney, or steamed spinach, or plenty of salads.

To finish with a sparkle, there will be shimmering home-made jellies.

I like to make and serve jellies in cocktail glasses. This shows off vibrant colours to best advantage and means that little gelatine is needed, so the tastes of the ingredients shine through to the full. It also spares the cook the daunting prospect of unrolling jelly for serving – and any possibility of ignominious collapse.

CRANBERRY AND POMEGRANATE JELLY (serves 6)

I wanted to make a shocking pink jelly with early forced rhubarb spiked with orange zest and maybe a splash of curacao, ginger wine or white rum, but that will have to wait. My plans were thwarted by the modern shopkeepers' policy of sweeping away "ordinary" lines such as rhubarb for the festive season to make way for more of "the exotic imports everybody wants".

Everyone? Am I alone in refusing to buy strawberries, raspberries, et al at this time of year? Cranberry and pomegranate seem more seasonally acceptable and they make a sharply fruity jelly as scrumptious as Father Christmas's drink.

400g fresh cranberries; 3 pomegranates (or 3 table spoons grenadine syrup diluted in 9 tablespoons water); 100g or more caster sugar; kirsch to taste (or a spoonful of triple distilled rosewater for a tea-total jelly); 1 sachet or 1 tablespoon gelatine powder.

Cut the pomegranates in half, scoop-out the seeds and discard the bitter yellow pith. Reserve 2-3 tablespoons of the most brilliantly coloured seeds for garnish, wrapping them in film to keep them fresh. Put the rest into a piece of butter-muslin, twist tightly, hold it over a bowl and wring and squeeze hard with your hands to extract as much juice as you can. Sprinkle on the gelatine powder and reserve.

Simmer the cranberries gently with 400ml water in a covered pan. Crush lightly when tender then tip the contents of the pan into a sieve suspended over a bowl containing 100g caster sugar (or more for a sweeter jelly) and leave to drip for half an hour.

Warm the pomegranate juice gently until it is lukewarm. The powder has dissolved and the liquid is clear. Stir it into the cranberry juices and measure. Top up with a splash of kirsch (or a few drops of rose water) and cold water as necessary to make 700-750ml in total. Pour into individual small glasses, cover and chill until set to a soft tremulous jelly.

Serve scattered with the

reserved pomegranate seeds. Or, if you have none, with snowy billows of crème fraîche.

BLACK COFFEE JELLY (serves 4-6)

Purists may disapprove but I like to tinkle the coffee here by adding a little extra flavour. As for the coffee itself, I find a rich dark continental roast is best. Espresso is just too strong and bleak, a Turkish brew too sweet and muddy. For those who prefer something milder, an excellent white coffee jelly can be made by replacing up to half the coffee with thin cream.

600ml strong, freshly made black coffee (infused with a few cracked cardamom pods or cinnamon sticks and allspice berries perhaps, or given added punch with a splash of cognac or a small tot of Tia Maria or Kahlua); sugar to taste; scant 1 tablespoon gelatine powder; 100-150ml pouring cream; a few squares of best bitter chocolate (optional).

Sweeten the coffee to taste while it is still hot then cool it to tepid. Soak the gelatine powder in cold water.

der in 2-4 tablespoons cold water and warm over gentle heat until the gelatine has melted and the liquid is clear. Blend in a little of the tepid coffee then stir in the rest. Pour into individual glasses, cover and chill until softly set. Just before serving finish the jellies by floating a little pouring cream over the surface of each. Use cream pure and simple just as it is, or a little with a drop or two of alcohol perhaps. Garnish or not as you wish with rolled shavings of best bitter chocolate, and serve with crisp little biscuits.

VICTORIAN PORT WINE JELLY (serves 6-8)

As dark, handsome and sweet as the devil is supposed to be, this is a decidedly grown-up jelly with a distinct kick to it. A small wonder when you realise that very little of the port is heated to drive off its alcohol content.

550ml port – say 10-year-old tawny; 200ml Darjeeling or Ceylon tea; 150g granulated sugar; 1 cinnamon stick, bruised; the finely grated zest of a large orange; 1 sachet or 1 tablespoon gelatine powder; 2-4 plum juicy prunes or 2-3 maraschino cherries to decorate. Bring very slowly to simmering point 300ml port, the tea, sugar, cinnamon and orange zest. Add the prunes, if using them. Cover and set aside for half an hour, then strain off and discard the cinnamon and orange. Halve and stone the prunes and reserve separately.

Sprinkle the gelatine powder on to 50ml cold port and leave to soften and swell for 20 minutes. Warm the gelatine gently to melt it. Away from the heat, gradually stir in the warm spiced port and tea liquid, then stir the amalgam into the remaining 300ml cold port. Pour the aromatic liquor into small glasses, cover and chill until softly set.

Serve at room temperature topped with halved prunes or slices of marron glace, alone or with cream.

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BOOKS

Modern Italy, warts and all

Robert Graham enjoys an optimistic view in the best tradition of foreign commentators

Patrick McCarthy has been remarkably nimble in producing a book on the upheavals of contemporary Italy. However, being a professor at Johns Hopkins University's centre in Bologna he has had a flying start. The events have been unfurling on his doorstep.

His point of departure is the establishment of the new Italian republic after the second world war in the wake of Mussolini's fascist era, and he closes in 1994 with the end of Silvio Berlusconi's brief experience as prime minister.

McCarthy obviously knows Italy well, and, just as important, he clearly likes the country - warts and all. He rightly notes for instance that Italy's defects are often the reverse side of its merits, citing how the absent Italian state has helped spawn a race of dynamic small entrepreneurs. These elements imbue his analysis both with depth and balance, and as a result he has produced a highly perceptive book on contemporary Italy.

With an essayist's approach he explains the formation of Italy's post-war politico-economic system and why it con-

tained the seeds of its destruction. In this way, it is strikingly easy to see how rotten the system had become by the time the anti-corruption magistrates appeared on the scene in 1992 with their "clean hands" campaign.

Although the magistrates have now exposed the extraordinary degree of graft which permeated business and politics, McCarthy resists the temptation to write off successive Christian Democrat-led governments simply because they were corrupt. The uninterrupted Christian Democrat (DC) rule from 1946-1992 was a period during which Italy transformed from a rural emigrant economy into the world's fifth industrial nation. Italy's current travails should not obscure the DC's achievement of fostering such impressive "if unbalanced" growth.

At the root of Italy's problems has been - and remains - a weak state, he maintains. McCarthy lays considerable

blame on the Vatican for this, at least in the immediate aftermath of the fascist era. The vacuum left by Mussolini's fascism was filled by the Vatican which encouraged the creation of the DC as a new catholic democratic party. "The supremacy of the Vatican over the DC was the prime cause of the new state's weakness... Instead of receiving legitimacy through representation and efficiency, it received legitimacy from the papacy."

During the early post-war years, the DC had to cope with an exacting Pope XII, a powerful and discontented northern industrial lobby, an impoverished mezzogiorno and implacable Communist Party (PCI). Perhaps not surprisingly the DC were defensive and sought to protect themselves through a network of patronage and "clientelism". This clientelism was encouraged by the endorsement of a state-dominated economy which enabled the politicians to exercise con-

trol over banking and wide sectors of commerce and industry. The instability of governments was more apparent than real. Changes were necessary, not to pursue new policies but merely rebalance factional rivalries and allow others a slice of patronage. McCarthy avoids demonising

THE CRISIS OF THE ITALIAN STATE
by Patrick McCarthy
Macmillan £25, 230 pages

the impact of the fierce anti-communism of successive Cold War administrations in the US. But he insists that American interference damaged Italian political culture by blocking the alternation of power and so entrenching the privileges of the ruling elite behind the shield of anti-communism. Italy became the sole European democracy where the left was excluded from govern-

ment. The US almost certainly over-estimated the strength of the PCI. But their opposition to the idea of the PCI entering the government in the late 1970s - the so-called "historic compromise" - was consistent. McCarthy believes the PCI's own indecision and the DC's opposition to the deal were equally important in sabotaging the historic compromise. For the DC it would have meant cutting in another partner on the spoils of office.

Yet even after the threat from communism subsided and the 1980s economic boom dissipated Italy's once powerful working-class movement, anti-communism remained a potent vote gatherer. The rise of Bettino Craxi's Socialist Party to become a major partner in government during the 1980s was built on the back of anti-communism. In this respect Enrico Berlinguer, the charismatic PCI leader, may have successfully occupied the high moral ground but he

failed to dispel the communist bogey.

McCarthy sees the collapse of the post-war political system due to a mix of external and internal pressures. From outside the fall of the Berlin Wall exposed the bankruptcy of communism. In removing the communist threat, the DC and their allies lost their main rationale and were seen to have no project other than nakedly cling to power. At home the system had become weakened by complacency and the inability to reform. The powers of patronage were also undermined by the introduction of budgetary austerity to offset years of irresponsible debt-funded public spending.

Into this growing vacuum stepped the populist Northern League backed by the small businessmen of Italy's industrial heartland. In the early 1990s this was the first genuinely new party which set an agenda for reform. The path for the magistrates' assault on

the *ancien régime* in 1992 was meanwhile made possible because the politicians no longer had the power to block judicial investigations. The advent of the League, the magistrates' "clean hands" campaign and then Berlusconi's entry into politics were all, according to McCarthy, part of a "quest for citizenship": a search for new rules and a new state. Berlusconi's appeal lay in his loud-voiced mistrust of the state and a promise of less state - more freedom, less taxes.

McCarthy only falters when he chronicles the convulsive period 1992-94. He lacks the distance to measure his judgments and the inevitably arbitrary cut-off date leaves his conclusions hanging too much in the air.

But in the best traditions of foreign commentators on Italy, he is far more optimistic about the country's future than the Italians themselves. He is convinced "Italian society and government can indeed change, that many Italian commentators exaggerate their country's weakness and that the present attempt to reform the state will not inevitably turn into a restoration."

Why Canton came to Kew

The length of the Thames between Hampton Court and Chiswick, which encompasses the garden at Kew, has been deemed the cradle of the English landscape movement. Yet a current advertising campaign exhorts us to leave "a legacy to Kew" in order to provide "the food and medicine of tomorrow" emphasising research into the medicinal and educational benefits from plants. No mention here of its grand "Capability" Brown landscapes or soul-restoring floral displays; rather its scientific heritage is featured in this earnest millennium appeal.

Indeed, it is easy to overlook these gardens' long and varied history while sampling its delights. This weighty and authoritative account features on its jacket a view of Kew's pagoda - surely one of the world's great follies - in the morning mist. The pagoda can also serve as illustration of the rich background embodied in Kew's familiar features.

In 1787 when George, Prince of Wales needed someone to instruct him about architecture, his tutor was Sir William Chambers, whose *Treatise on Civil Architecture* emerged from the tutorials (a cut above the current royal architectural magazine *Perspectives*). "The prince employs me three mornings in a week to teach him architecture," Chambers wrote: "the building and other decorations at Kew fill up the remaining time." Much of this

KEW: THE HISTORY OF THE ROYAL BOTANIC GARDENS
by Ray Desmond
Harvill £25, 466 pages

remaining time was filled by the Dowager Princess of Wales, Augusta, who was "for ever adding new embellishments at Kew", including its first physic garden.

Chambers favoured the exotic and did not admire "Capability" Brown, denouncing the obliteration of mature gardens "to make room for a little grass, and a few American weeds". As a member of the Swedish East India Company he had made two voyages to China, taking careful measured drawings of buildings in Canton including a pagoda.

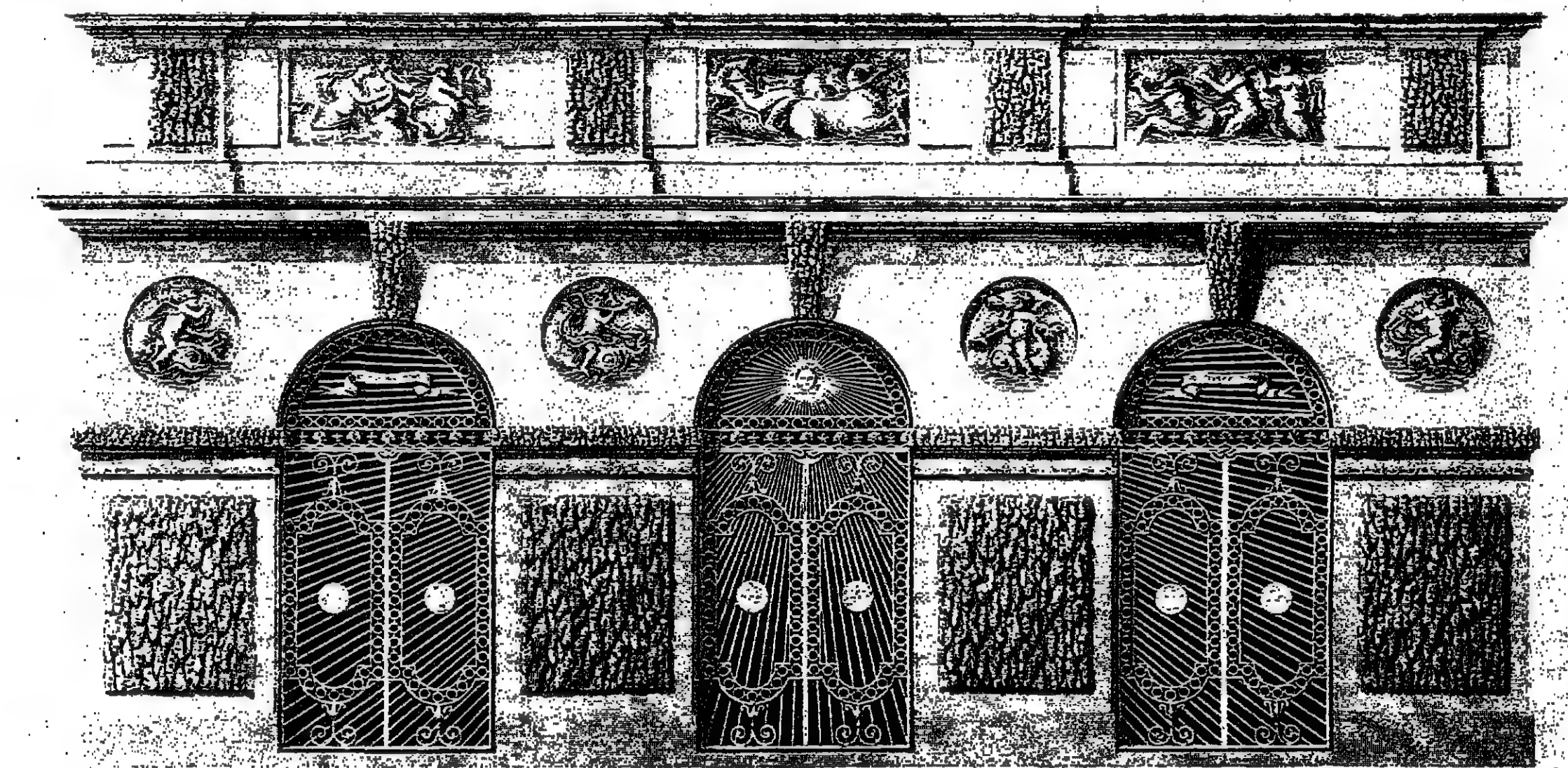
During the previous century, Louis XIV had erected the Trianon de Porcelaine at Versailles, decorated in a mistaken imitation of the Nanking pagoda, the first Chinese feature to adorn any European garden. Stowe's modest painted Chinese hut installed on its pond in 1738 was the first English landscape to boast such a curiosity. The vogue for chinoiserie was at its height when Chambers published *Designs for Chinese Buildings* in 1757.

Kew's pagoda, one of the few survivors of Chambers' Chinese phase, was completed in 1761 and soars 163 feet into the air. It was the most accurate copy of a Chinese building to be seen in Europe at the time, although it reflected classicism and the rococo as much as it did authentic Chinese architecture.

It is impossible to do justice to the comprehensiveness of both the text and copious illustrations of this superbly researched and beautifully produced book. Ray Desmond, a former librarian of Kew and author of several books about botany and botanists, has used both original archives and all conceivable secondary sources in this definitive account.

Alexander Pope was one of Kew's original consultants, and its history now extends almost 250 years beyond the time when Chambers inflicted his pagoda upon an unwary public. It encompasses George III's confinement at Kew during his first serious attack of porphyria, the attempt to introduce Pacific breadfruit to the West Indies in Captain Bligh's ill-fated *Bounty*, years of neglect from royal indifference and Treasury economies, collaboration with Charles Darwin, Crimean war army pensioners as gatekeepers, suffragettes smashing the orchid house and wantonly destroying plants, Palm House terraces planted with onions during the Great War, and - full circle from Princess Augusta - the opening of the Princess of Wales Conservatory in 1987.

Ann Geneva



Folly of a sun-king: The Grotto of Thetis at Versailles, built by the young Louis XIV to hold some of the most splendid banquets of his reign. It was demolished just 20 years after its construction to make way for a new wing for the chateau. Taken from "Pleasure Pavilions and Follies: in the Gardens of the Ancien Régime" by Bernd H. Dams and Andrew Zega (Flammarion, £35)

Distilled poetics of description

Nigel Spivey admires an academic's approach to overcoming the speechlessness bequeathed by violence

To profess great literature is not to produce it. One is grateful simply to comprehend what a modern academic writes, let alone admires it. So it is an almost begrudging admission that George Steiner's fiction has pertinence, verve, and candid grandeur. He ought to be over-qualified to contrive such work. (As Anthony Burgess said of Steiner: "His problem is that he knows too much.")

The magnificence here does not brim from quantity. Steiner published the title story of this present accumulation in 1986, and his entire output over four decades hardly amounts to a single blitz by Anthony Burgess. But two features of this limited production mark its importance. As befits his name, Steiner's style is flashy. His words are hard-worked and precise, yet not laboured nor pedantic. Though just occasionally a reader might feel that the care of delicate meanings, or some Latin tag, has passed too unrealistically from the author to his characters, the distilled poetics

of dialogue and description assist and reward close attention.

"No poetry after Auschwitz": Theodor Adorno's dictum has been extended by Steiner in the past, to the point where he has suggested that the horrors of the Holocaust were so huge that they left us beggared not only for poetry and other literary forms, but words themselves. Here however we see Steiner's own attempts to overcome the speechlessness bequeathed by violence. Perhaps Adorno's remark was always as silly as saying, for example, "no poetry after the Somme"; for while it must be true, as Primo Levi saw (first-hand), that Auschwitz and the other camps institutionally obliterated the distinction between cultivated and uncultivated minds, outrage will out. A voice is ultimately found.

So although Steiner himself was not a victim, and has never been a fighting man, his evocations of the terrible are bleakly convincing. Characters are dragged off the pages with gaping mouths, and dripping stumps where their fingernails were,

moments of betrayal, indifference and recognition are dramatised with passionate accuracy. There is understatement, but not silence.

The longest story is "The Portage to San Cristobel of A.H.", an unhappy tale for a fantasy which swells into a thunderous essay on the mind of the Holocaust's true author. Hitler is imagined, garbled but alive, and unrepentant, in the

THE DEEPS OF THE SEA
by George Steiner
Faber £12.99, 393 pages

swamps of the Amazon. As a posse of tough Israeli hunters closes in upon him, the little man delivers an eloquent, pseudo-judicial defence of himself. What was he, next to Stalin, but a minor criminal? And was not the end result of the Final Solution the Zionist dream come true - the state of Israel? As if he cannot bear to take this heartless justification any further, Steiner stops the story there. It does not end.

Other stories here have endings,

but we can understand why they might still retain this bitten-off, fragmentary tone. In the words of one ex-combatant character to his psychiatrist, "wars kill a long time after".

As Steiner traces them, the consequences of violence can never be fully wrapped in the literary package. Two tales in particular trace this lingering destructiveness. In "Return No More", a former Wehrmacht officer limps back to the house in Normandy where he was once billeted. He proposes marriage to the sister of a man whom he had executed. Somehow, in the complex of guilt and reconciliation, she accepts. But the wedding itself hosts revenge. It was a return too soon.

Then, in "Sweet Mars", the joint fortunes of two officers in Montgomery's desert campaigns are traced, both before and after the war. Generally regarded as impeccably "European" in his sensibilities, Steiner here shows himself perfectly attuned to the lingo and banter of British public school types, and he understands their sexuality too. The range of the story, the force of its turns

and protagonists, convince one that Steiner could sustain a full novel - if he so chose.

The most evidently academic piece of the collection is "Proofs". A cross-hatching of plot and setting hardly disguises its function as a commentary on the apparent eclipse of communism. A committed Italian Marxist watches crowds dancing over the Berlin Wall on his television. California gushes past the Iron Curtain. Heaven on earth becomes a well-stocked shopping-mall. Is Steiner's own voice collected in the expressed distrust and suspicion of the unrepentant Marxist? Capitalism, he declares, lets people sleep in their well-being. "But that", he continues, "is to hold man in utter contempt. It is to turn history into a graveyard for used cars."

Intellectuals can never concede the universal gratification of Coca-Cola. But they can at least try to get their own ideas into the marketplace. And if merit is measured by nothing more than royalties, then this book deserves to earn Steiner a vast new batch of followers.



George Steiner: fifty precision

Short stories/Joan Smith

Pyrotechnic but pitiless

WICKED WOMAN
by Fay Weldon
Flamingo £9.99, 209 pages

FOR SOLO VOICE
by Susanna Tamaro
Corgi £14.95, 134 pages

here is irony in its purest form: bleak, black, pitiless and unforgiving. According to this view, her novelist's detachment allows her to see through her characters' self-deceit into their very souls, where confident bluster is exposed as the contortions of damaged, dam-

aging people without insight into their petty motivations. Yet it is hard to square this estimate of Weldon's achievement as a writer with plots and characters which are no more than repetitions in new settings and trendy clothes; above all, her emotional range is limited to pyrotechnic but essentially dead-end feelings of anger, jealousy and a thirst for revenge.

In recent years, and to a painfully obvious degree in *Wicked Women*, Weldon's authorial voice has not been that of an ironist so much as someone who has fallen into the habit of sarcasm. There are

no subtleties here, no surprises or insights; the tone is arch, self-congratulatory, and carries that note of certainty which is inimical to risk and originality in fiction. More and more, Weldon's success begins to look like a happy accident of timing: the angry young woman who began her writing career by giving voice to the frustrations of dispossessed mothers, wives and daughters has turned out, in her mature years, to have little else in her repertoire.

Susanna Tamaro is currently the female novelist of her generation - which is to say under 40 - in Italy. Her second novel

Va' dove ti porta il cuore (published in English this year as *Follow Your Heart*) was a runaway success, diving straight into the subject of tortured family relationships in a country where such ties have not yet unravelled quite so spectacularly as they have in Britain.

Per Voce Solo (For Solo Voice) is a collection of short stories written before *Follow Your Heart*. The voices are emotional, that of a young girl from eastern Europe forced into prostitution or a dying woman suffused by guilt because she gave up her illegitimate child for adoption many years before. They have a mechanical quality, as though Tamaro's imagination has had to strain too hard to reproduce their feelings: the collection is interesting more for what it reveals about Tamaro's development as a storyteller than in its own right.

Twenty novels, three collections of short stories and the hugely successful TV adaptation of *The Life and Loves of a She-Devil* have conferred on Fay Weldon the kind of instant recognition many authors aspire to but few achieve. There is even a name for her fictional world, "Weldonia", which her publishers like to describe as "hyper-real" - thus acknowledging the element of exaggeration in her work which locates her characters somewhere between everyday life and caricature.

The characters, by now, are familiar enough: jilted girlfriends, betrayed wives, women who cannot understand why being in love has not lived up to their expectations, men whose attempts to be faithful are undermined by a tendency to live in the moment. In her new collection of short stories,

Wicked Women, the reader meets them all again, recognising at once their pained self-absorption and the build-up of tension which inevitably leads to explosive release.

Weldon is an enthusiastic observer of social trends and the stories are bang up-to-date. The collection opens with "End of the Line", in which a nymphomaniac New Age journalist pursues a sacked TV presenter in his rural retreat, seducing him with sex and an offer to write a biography which will re-establish his career. The peripheral characters include the pundit's gay son and daughter, the latter apparently

contemplating a sex-change operation which will turn her into a man.

Elsewhere in the book, in "Through a Dustbin, Darkly", the targets for Weldon's satire are a group of artists whose tireless self-promotion is revealed as a form of parasitism. Their careers are littered with discarded mistresses and the latest incumbent is on the verge of being gobbled up emotionally and financially until, in a wildly self-destructive gesture, she strikes back with an arson attack.

For Weldon's admirers, who include the novelist John Irving, what we are being offered

Weldon's new collection of short stories, *Wicked Women*, is a tour de force of psychological insight and emotional power. It's a must-read for anyone who loves a good story.

BOOKS

On blacks' inhumanity to blacks

An impressive man: Michael Thompson-Noel on Ken Saro-Wiwa's writings from prison

When Ken Saro-Wiwa, the writer and campaigner who tried to win justice for the horrendously persecuted Ogoni people of Nigeria, was hanged, with eight co-defendants, in a mass execution by Nigeria's military government last November, many people in the west would have had only a hazy understanding of the man and his mission. It is this that gives Saro-Wiwa's last book, which is subtitled *A Detention Diary*, a terrible poignancy, for the story of his life and death is a particularly African tragedy.

There are various reasons for the plight of the Ogoni, a small tribe living in part of the fertile Niger

River delta. Before the advent of British colonialism, they had been proud, prosperous and unconquered.

Unfortunately for them, oil was discovered on their territory in 1958, though in more than 30 years, during which the Ogoni lands have provided Nigeria with total oil revenues estimated at more than \$20bn, the Ogoni themselves were said by Saro-Wiwa to have received nothing: no representation at all in

any of Nigeria's federal institutions; no pipe-borne water; no electricity; no jobs in federal, state, or public or private sector companies - nothing.

As a result, the people of one of the richest areas of Nigeria have been virtually enslaved by what Saro-Wiwa called "abject poverty and degradation". They lack health, social or educational facilities, and have suffered an ecological catastrophe, as well as severe land and

A MONTH AND A DAY
by Ken Saro-Wiwa
Penguin Books £5.99, 238 pages

food shortages. What Nigeria's rulers have inflicted on them, says Saro-Wiwa in this book, is nothing short of "slow genocide".

Yet the chief perpetrators of the Ogoni's debasement are not western oil companies - Shell is much involved, and was loathed profoundly by Saro-Wiwa - but those who run what Saro-Wiwa called the modern slave-state of Nigeria, the "indigenous colonisers": those who capitalised on the inertness of the masses and on the greed of the elite and so reduced Nigeria's people to "intolerable levels of existence".

It is this background that leads to Saro-Wiwa's key assertion: his anguished and chilling allegation that the Ogoni have been persecuted because of "the black man's inhumanity to his own kind, the trait responsible for the retardation of all blacks".

Ken Saro-Wiwa must have been an impressive, boundlessly energetic man: businessman, publisher, celebrated and trenchant political journalist, and an inexhaustible writer of novels, plays, poems and children's books, who threw himself into the Ogoni's cause and soon became its figurehead.

A Month and a Day covers his penultimate period of detention in 1993, and includes a full account of the Ogoni's struggle. In an introduction William Boyd, the writer who was a good friend of Saro-Wiwa's, says that from time to time Saro-Wiwa managed to smuggle letters out of prison. "One received", writes Boyd, "ended this way: 'I'm in good spirits... There's no doubt that my idea will succeed in time, but I'll have to bear the pain of the moment... I'm mentally prepared for the worst, but hopeful for the best. I think I have the moral victory'".

One wonders what Nigeria's rulers think of that.

Brave woman of some importance

Even without Kafka the story of Milena would have appeared in one form or another, argues Anthony Grayling

Famous lives shed fire on to the other lives they touch, illuminating them and rescuing them from the shadows of the past, we see blazing events and people there, like bonfires, irradiating the faces around their circumference. One of the faces lit by the blaze that was Franz Kafka was the woman he had an epistolary love affair with, Milena Jesenska.

In this life of Milena, Mary Hockaday proves how fortunate it is that emblematic lives can be rescued in this way. Even without Kafka, the story of Milena would have appeared in some form, even if only as a footnote to other events, because she was a striking figure, one of the icons of the Habsburg aftermath in Prague and Vienna.

KAFKA, LOVE, AND COURAGE: THE LIFE OF MILENA JESENSKA
by Mary Hockaday
Andre Deutsch £17.99, 255 pages

variously scandalous, respected, admired, and at last - in Ravensbrück concentration camp, where she died - adulated by some for her courage and resistance.

Milena was tall and beautiful. As a teenager she was a familiar figure in Prague, striding its streets with her girlfriends, flirting in its cafes, getting into trouble for shopping. Her disciplinary father could not accept her spending nights with her lover. Unable to exercise control, he had her committed to an asylum. She left it to marry her lover and move to Vienna.

It was in Vienna that Milena received the celebrated letters from Kafka which constitute an important addition to his published oeuvre. The letters are a passionate testament to their feeling of deep mutual need and sympathy. But on the few occasions they spent time together physically, the result was not a success. Kafka was ill, already dying of consumption. He was remote from the sexual, and contradictions of the flesh made him shrink.

When Milena later spoke of love, she nominated someone else as the greatest passion of her life. But when Kafka died she wrote a moving and perceptive obituary, showing that she understood both his sensitivity and his genius. "His

books describe the horrors of secret misunderstandings, the guiltless guilt between people," she wrote. "He was a man and an artist so painfully conscious that he heard even where others, the deaf, felt safe."

Milena became a journalist of distinction, writing about social life, fashion, and women's affairs. Her articles from Vienna for the Prague press made her famous there, and when she returned to Prague after the failure of her marriage, she was greeted as a heroine. There she witnessed the growing threat of Nazism across the border, the bitter betrayal of Czechoslovakia by Britain and France, and the German occupation. Characteristically, she was among the first to join the resistance, and it was not long before she had been arrested and, at length, sent to Ravensbrück. She was 47 when she died there, weakened by privations, in 1944. But she had been a leader among the imprisoned women, a giver of hope, and was remembered by many of them afterwards with love.

The story of Milena's life spans a time and place - Prague and Vienna between the wars - which is rich in interest. She was close to the vibrant culture of the period, an habituée of the cafes where the writers and thinkers met to argue, share ideas, write their books. In one way Mary Hockaday misses an opportunity here: this could usefully and enjoyably have been a longer book, with more detail about Milena's world and its inhabitants; and it could certainly have told us more about Kafka as he wrote those remarkable letters - for he appears in Hockaday's narrative as a somewhat remote and enigmatic figure, intermittently glimpsed behind the veil of Milena's life.

This point matters, because Milena was much more to Kafka than, in the end, he to her, he helped her with her writing, but she provided him with material for literature, and some commentators claim that she was the woman he most loved. In the great scheme of things, these facts make Milena's place in literature far from incidental.

To say that one wants more of a book is not much of a criticism. Hockaday has done a service here, both to Milena herself and to readers of Kafka. And it will whet appetites further for the story of Habsburg Europe after 1918, a marvellous epoch.



Keep your hats on. Passengers manage to look elegant and unruffled in the observation lounge of the "Hawthorn", the Milwaukee Road's 1935 lightweight, streamlined train which could reach speeds of 100 miles-per-hour. Taken from "The Spirit of Steam: The Golden Age of North American Steam" by William L. Whitnall (Salamander Books, £14.95)

Saint, sinner or just a tease?

The master of perfect prose has managed to defy his biographers, writes Malcolm Rutherford

Malcolm Muggeridge had at least one last achievement to his credit. He was the first western journalist to report in some detail that the Soviet Union was not the paradise which many British intellectuals believed it to be. In the early 1930s he was sent to Moscow by the Manchester Guardian. Bored by the official information machine, he struck off on his own and went to the Ukraine where he discovered the famine and the terror.

Unfortunately, not many people took him seriously. The MG (as it was then known) cut the articles and put them on inside pages. George Bernard Shaw, who had already been complaining of Muggeridge's "misreporting", snarled at the line that journalists file only bad news and neglect the good. So did Beatrice Webb, to whose niece, Kitty, Muggeridge was married. When the historian Robert Conquest moved onto the subject, he was similarly reviled, though we now know that his account of the great terror was an underestimate.

While Muggeridge was in the Soviet Union, he also worked on a novel called *Picture Palace*, based on his early experience at the MG.

Parts of it are very witty, particularly the debunking of the editor, C.P. Scott. The book had to be pulped because the MG threatened to sue for libel. The alleged offence was the claim that the MG could afford to be high-minded liberal because it relied for its profits on the altogether different *Manchester Evening News*. Muggeridge lacked the money to put up a defence in court.

One would have thought that experiences like those would have scared any man for life. Yet this is not entirely the approach taken by either of his two new biographers. Both the American Gregory Wolfe and the British Richard Ingrams tend to the view that Muggeridge was pretty well secure to start with, almost to the point of having a chip on his shoulder.

As Ingrams points out, however, from very early on Muggeridge had a sequence of apparently chance encounters that ran throughout his life. His favourite teacher at primary school was Helen Corke, the girlfriend of D.H. Lawrence who was teaching nearby. When, after

MUGGERIDGE: A BIOGRAPHY
by Gregory Wolfe
Hodder & Stoughton £25, 462 pages

MUGGERIDGE: THE BIOGRAPHY
by Richard Ingrams
HarperCollins £18, 265 pages

Cambridge, Muggeridge went to teach in India he ran into Mahatma Gandhi and began a correspondence with him which Gandhi then published.

He was recruited to the MG in Cairo by Arthur Ransome, then the paper's roving correspondent and subsequently the author of *Swallows and Amazons*. When Muggeridge arrived in Manchester, he lived in the same house as A.J.P. Taylor, the historian. At the end of the war,

as an intelligence officer in Paris, Muggeridge was deputed to keep an eye on P.G. Wodehouse. The two men became friends and Wodehouse agreed to write for *Punch* under Muggeridge's editorship in the 1950s.

So it went on. Muggeridge first met Mother Teresa, who helped to guide him into the Catholic church, when he interviewed her on television. He was a prolific writer, then after the war an equally prolific broadcaster, first on radio, then on TV. He even played the part of an interviewer in the film *I'm All Right Jack* and thought he had a screen career ahead of him.

Where does all that leave his reputation? Wolfe's much longer and more detailed book almost comes to the conclusion that he was a saint. The Muggeridge papers are deposited at Wheaton College in Illinois, the alumnus of Billy Graham which also houses the Wade Collection of Christian writers including C.S. Lewis and G.K. Chesterton. Wolfe draws on the papers heavily to show that religious conversion was always a possibility. Muggeridge was a secret Bible reader in his youth.

Yet, as Ingrams comments, there were several Americans and Canadians who did not have the problem of having to reconcile the early Muggeridge with the born again Malcolm. One of them was Conrad Black, subsequently the owner of the *Daily Telegraph*, who regarded Muggeridge as a religious guru.

Ingrams was closer to the man, the artist and founder of small magazines. While an admirer, he does not spare the warts, notably the heavy drinking and the philandering, both of which were abandoned in later life. He is a shade sceptical about the final conversion. Neither writer comes to a definitive conclusion. Wolfe prefers the novels and religious works, Ingrams the journalism. Where everyone agrees - including Evelyn Waugh - is that Muggeridge had a perfect prose style. He had a marvellous eye for detecting disparities between theory and practice. He also had a wonderfully impish sense of humour. One of the Fleet Street stories he liked best was the ad on a delivery van: "Is there an after-life? See Tomorrow's Evening Standard." To the end he was a tease. He has defied both biographers, but if you have to choose, take Ingrams.

A flair for symbolism

Mark Archer discusses a powerful, political dynasty

When the Pope addressed the European parliament some years ago, he was interrupted by a small group of protesters led by the Reverend Ian Paisley who waved placards and shouted "No Popery!"

Prominent among the Euro MPs who scuffled with Paisley before bundling him and his followers out of the chamber was Dr Otto von Habsburg. History's "old alliance" was suddenly visible again: the son of generations of Holy Roman Emperors assisting the Pope once more against the forces of reform.

As Andrew Wheatcroft points out in this first comprehensive study of one of Europe's most powerful political dynasties, the Habsburgs always had a flair for symbolism. The Habsburg Emperor Maximilian (1459-1551) employed an army of researchers to prove that his ancestors included Jewish kings, Trojan princes and Roman emperors, the saintly Charlemagne, to say nothing of Roman and

Greek divinities and the bizarre godheads of Ancient Egypt.

His grandson Charles V (1500-58) revived the family's chivalric Order of the Golden Fleece. His personal emblem of two columns arising from the sea above the words "Plus Ultra" (still further) expressed the limitless ambition of a ruler whose empire extended

THE HABSBURG: EMBODYING EMPIRE
by Andrew Wheatcroft
Viking £20, 384 pages

from Hungary in the east, across Austria, Italy, Burgundy, the Netherlands and Spain, to Mexico in the west.

In arguing that the Habsburgs' use of symbolism was central to their survival, Wheatcroft's book, while packed with illustrative detail, makes for a curiously empty read. In fact, the Habsburgs' power-base derived originally from a highly successful series of marriages and alliances with their rival dynasties in Europe,

beginning with the 14-year-old Maximilian's union with the daughter of the Duke of Burgundy, ruler of the most magnificent court in Europe.

Wheatcroft's argument is that the Habsburg ethos, obsessed with image and appearance, brought about its own downfall. But this can only be half the story. After hundreds of years of putting down rebellion in the name of faith, the Habsburg rule, shorn of its religious legitimacy (Francis I forswore the title of Holy Roman Emperor in 1804), became an ossified autocracy, unable to respond to the nationalistic uprisings within its borders other than with repressive force. The legacy of this failure lies behind the present troubles in the Balkans today.

Wheatcroft spends too little time analysing these historical developments, and too much time endorsing the image the Habsburgs had of themselves. The book should really be subtitled "An Aesthetic History": suited to the subject, but unsatisfying for the general reader.

There is an intriguing area of fiction where the novel proper meets the "thriller". Some of the best novelists have been fascinated by the challenge (Greene is the obvious example); some of the better thriller writers have been tempted to return the compliment.

Frances Hegarty established her reputation with a number of superior crime stories under the name Frances Fyfield. With *Let's Dance* (Viking £15), she uses elements of the thriller - suspense, violence, death - in what turns out to be an entirely serious, indeed sobering, study of an anguished relationship between mother and daughter.

The sobering part is that Serena Burley, the elderly mother, suffers from Alzheimer's Disease, and the most memorable and successful part of *Let's Dance* is its portrayal of this appalling affliction. The detail with which Hegarty describes Serena's condition will strike true to anyone who has experienced it.

Serena is going doty in her home in the country; her daughter Isabel - beautiful, single, neurotic - refuses to consign her mother to an institution and has to go to look after her. She thinks, or rather

Thrillers/J.D.F. Jones

Tortured relationships

hopes, that she loves her mother; she discovers that she might instead hate her. Then there is George, the ex-con, who loves Serena in a different, perhaps truer way, and Andrew, the saleroom dealer, who loved Isabel until her mother destroyed them - or did she? Outside, the local villains gather, birds of prey, to exploit a pathetic old woman who is happy to dance with them as they wheel her furniture out of the door.

Dutch writer Leon de Winter uses the traditional formula to produce a "philosophical thriller" (and also, according to his publisher, "a paradigm of Europe in the last 50 years") - which turns out to mean that a thin Cold War drama of CIA men, a sexy Czech double agent, etc., is tricked out with long chunks of Spinoza, no less. As a thriller, Hoffman's *Ringers* (Andre Deutsch £15.99) is certainly ambitious; you might prefer to say that it is pretentious.

Hoffman is a Jew, a child-survivor of the Holocaust, who has become the Dutch ambas-

sador in Prague, where he gorges himself in an unadmitted bulimia while reading Spinoza in order to "cleanse his understanding". His parallel is an innocent American, Freddy Mancini, who similarly stuffs himself with food but, because he does not get rid of it, has reached 430 pounds before his gruesome death. No doubt a metaphor is lurking.

A CIA man, whose senior job is to "re-arrange reality", has been having an affair with Hoffman's wife: Freddie has the bad luck to witness the abduction of another CIA agent; the Cold War is running out of steam. Hoffman, grieving the fate of his two daughters, takes yet another midnight snack from the fridge and reflects that he is "in very great peril, the peril of irreversible degeneration". Strictly for fans of Spinoza.

Clare Francis produces the conventional middle-brow thriller, which could be more accurately described as a novel with a strong (and over-ex-

tended) plot line. The shadow of Daphne du Maurier hangs over *Betrayal* (Hainemann £12.99), which is set in the West country and involves the murder of a glamorous woman, sailing, elegant houses, affluent people.

The surprising part is that the narrator is an FT-type businessman whose efforts to save his firm are described in convincing detail. There is also an unhappy wife, a long-lost girlfriend, a stuffy doctor-brother, and the brother's sterling wife. So who killed Sylvia? The police, with reason, conclude that it was our narrator - but he is not Maxim de Winter and we do not believe it. Clare Francis does not enjoy Du Maurier's skills as a writer and the result is rather long and laboured, but *Betrayal* will see you through a winter weekend or a bout of flu.

It has been a poor season for the classic thriller and Robert Parker, one of today's masters, seems to have fallen victim. *Thin Air* (Viking £15.50), his umpteenth "Spenser" book, is a bit weak. The ageing Boston

private eye sets off in search of a missing girl, but this time he is not accompanied by his black side-kick, Hawk, and he gets mired in an Hispanic slum in a decaying Massachusetts mill town. The tale is slowed down by the artificial device of inserting the girl's thoughts and reactions in Italian.

Spenser is still besotted with his shrink girlfriend, Susan, and we are given pages and pages of their loving dialogue, usually about food and leading on to sex. If you like Spenser and Susan (as I do), that is fine; it is wonderfully controlled, paced, convincing. But I have to admit that sometimes it goes on for too long. With *Thin Air*, Parker is coasting. The photograph of the author on the jacket should not be missed.

Lynn S. Hightower's *Flashpoint* (Hodder & Stoughton £16.99) takes us back to the mainstream tradition of the accomplished thriller, with the modern gloss that this hero is a tough Cincinnati woman cop; the murderer is a woman who cuts her victims to a car, sets them alight, and sends the photos to the family. The procedural detail is well enough done, the story drives through, and, if this really is a first attempt, it is promising - and not at all pretentious.

ARTS

Dance which is naughty but nice

Alastair Macaulay discusses Frederick Ashton's role as the last English inventor of 'wonderland'

In *Inventing Wonderland*, her recent book, Jackie Wullschlaeger describes the five foremost English authors who created classic realms for children to inhabit. They are Lewis Carroll, Edward Lear, J.M. Barrie, Kenneth Grahame, and A.A. Milne, and their period is 1880-1920.

Wullschlaeger goes on to discuss leading books for and about children written after that period; but surely, after that period, the true flame of children's entertainment began to pass away from literature anyway. After 1925, the greatest creator of wonderland was neither a writer nor an Englishman: I refer, of course, to Walt Disney, whose Mickey Mouse and Donald Duck recapture the manic verve of the characters in Carroll and Lear.

Still, there was one Englishman who went on inventing wonderland. He was a choreographer, Frederick Ashton. Paradoxically, this aspect of his complex art, this instinct for innocence, has become the side of him most acclaimed by the public and most devalued by the critics.

Like Paddington Bear, Ashton (1904-88) was born in South America. If he had choreographed a Paddington Bear ballet - or a *Wind in the Willows* ballet or a *Pooh* ballet - it would have come as no great surprise. For this master-choreographer made the dances for the famous 1970 film *The Tales of Beatrix Potter*, a brief but brilliant *Tuesdledum* and *Tuesdledum* divertissement in 1977, and an enchanting ballet to illustrate a Hans Christian Andersen story with pods of peas, radishes and a cauliflower, all dancing.

But long before he tackled these tales he had long been creating thrilling, innocent, funny realms onstage in which children and adults have been losing themselves with equal bliss for decades. There is no better example of this than Ashton's 1937 ballet, *Les Pêcheurs*, which looks like a Victorian Christmas-card come to life.

It depicts a skating-party with such style that a mid when first I saw it, that the dancers must be moving, if not on ice, then on a specially slippery floor. They are not, of course; Ashton was simply very good at creating a completely coherent illusion, and the dancers all keep stiff backs, straight thighs, feet now sliding, now carefully digging into the surface beneath. These skaters are more or less adult, but - like

characters in so many Ashton ballets - they are loveable, vulnerable, and (unusual in ballet) fallible.

This aspect of Ashton is the one that has become most taken for granted; and indeed the most frequently bashed. What price innocence in 1995? When *Les Pêcheurs* is praised today, it is not because it creates an enchanting world, but because it is a masterpiece of choreographic construction. It is indeed that; but that is not why it is loved.

In the 1960s, the younger choreographer Kenneth MacMillan, the John Osbornes of British ballet, announced "I'm sick to death of fairy stories". By contrast, Ashton choreographed aqueous fairies (*Orpheus*), Persian fairies (*La Fée*) - and no fairies in ballet are more like those of children's books than the Shakespearean fairies Ashton created in *The Dream* (1964). They are elfin, gossamer, both diminutive and sweeping in scale, quaint and yet capricious; very close to the world of Arthur Rackham and, more to the point, of Mendelssohn's music.

This instinctive sense of how characters would look and move - part of his genius - went beyond the Wonderland side of his talent. In his 1958 *Enigma Variations*, he put Elgar and his friends onstage, and when the composer Elgar's daughter (then an old woman) saw the ballet, she told Ashton, "I don't understand how you did it - they were all exactly like that".

Gertrude Stein said the same thing to him when, in his 1937 ballet *A Wedding Bouquet*, he put onstage the whole French village that she had set in one of her plays. Likewise, it is astonishing that no one watching *The Tales of Beatrix Potter* questions that Jemima Puddleduck and Jeremy Fisher and the Two Naughty Mice do of course move like that.

He choreographed *The Tales of Beatrix Potter*. It will be remembered, for the 1970 film. He never chose to make those dances into a stage ballet - whereas he saved his Hans Christian Andersen vegetable ballet from the unsuccessful 1980 film of which it had formed part (*Tales from a Flying Trunk*), and in 1982 turned it into a stage ballet, *Pas de légumes*. Only several years after his death was *The Tales of Beatrix Potter* turned into a stage ballet. It has received a mass of severe criticism, some of which is misplaced.



Jeremy Fisher in the Royal Ballet's production of Ashton's *Tales of Beatrix Potter*

Few if any of the critics who have dismissed it as being "good for children" have tried taking a child to see it. Children are, of course, sent to *The Tales of Beatrix Potter* in droves and some certainly do enjoy it. But it is by no means a safe bet, for it is misnamed. The ballet is really *The Characters of Beatrix Potter*, and only the best of its scenes tell real tales. Most children, anyway, would rather see one single story; when the ballet was first given in a double bill with Ashton's *Titanic*-Oberon ballet *The Dream*, plenty of children preferred the latter, less because it is a better ballet (though it is) than because they could lose themselves in its fairytale story. *The Beatrix Potter* dances, however, enchanted many university-educated adults.

The most serious complaints about *The Tales of Beatrix Potter*, however, surely come from an adult disquiet with aspects of Englishness - with the twee-

ness of wonderland. This has some justice. Why is it the English have made so many stories about animals? And why are even the most rebellious English animals (e.g. Squirrel Nutkin) so much more tame than the most domestic American counterparts (e.g. Donald Duck)?

Some of the way *The Tales of Beatrix Potter* is staged would have surely bothered him, too. It is easy to forget that Ashton was in regular rebellion against the neatness of Englishness. When first he worked with MacMillan's chief muse, the fluid and iconoclastic ballerina Lynn Seymour, it was he who said to her "Don't be so stiff and English!" not she to him.

No one claims that *The Tales of Beatrix Potter* is a masterpiece, but it contains several sections that are delectable not for their Englishness but because of their human vitality.

It is the naughty mice, the silly puddleduck, who most truly captured Ashton's imagination.

"Wonderland", if you can accept that term generically of the realms created for children by several authors other than Lewis Carroll, is a fiction that all of us should view with considerable ambiguity. The wonderland of Potter, Grahame, Barrie and Milne is really a pastoral fantasy about the idyllic charms of the nursery. Ashton added several works to it - the greatest of which is *La Fille mal gardée* - but he also used the genre to make as virtuous use of his language as contemporaries P.G. Wodehouse, Edith Sitwell, Evelyn Waugh and John Betjeman did of theirs.

And, more intimate than virtuosity, Ashton built a kind of un-English rebelliousness into the core of his dance language. "I think his middle name was 'Band'", one of his dancers has said. For Ashton, more than

any other choreographer, was forever making dancers bend from the waist - bend sideways, bend forwards, bend backwards. Seven years after his death, his ballets are still telling their dancers the same message. Right in the centre of their bodies, Ashton dancers - bending this way and that - are expressing the vitality that was central to his spirit. This vigour at the centre of the body is just what helps to make his dancers so like animals in *The Tales of Beatrix Potter*. Paradoxically, it is also what makes them so human.

The Royal Ballet dances *Les Pêcheurs* and *The Tales of Beatrix Potter* at Covent Garden until January 6. *Rhapsody* rejoins the repertory in February and March; a triple bill of *Symphonic Variations*, *Rhapsody*, and *The Dream* is announced for April. The Birmingham Royal Ballet will dance *Birthday Offering* on tour into the spring.

Radio/Martin Hoyle

Aphids and aliens, Pinter and Proust

Did you know you could be arrested for spraying your plants with washing-up liquid against aphids in the time-honoured way? Thanks to EC regulations you can, I learned from the indignant *Gardeners' Question Time* on New Year's Eve.

Apparently if you use products for purposes not listed on the container you are in breach of Eurolaw. God help amateur theatricals who use coconut-shells for horses' hooves, tin sheeting for thunder and cold tea for whisky - criminals the lot of 'em according to Euro-bureaucracy, that exquisitely judged blend of Kafka, Lewis Carroll and the Crazy Gang.

Hogmanay was notable also for the *World This Weekend* political discussion. Stephen Dorrell's effortless erudition took in references to the Athenian assembly, theatre as reflection of deeper reality, and the variety of communications media - all with a casually cultured air which he had modestly kept hidden during his sulkily listless stewardship of the heritage portfolio. What a shame he never seems to be expert on the right thing at the right time.

Dutifully ignoring Gary Glitter and the fireworks enjoyed by John Knox's fellow-citizens, I warmed my northern fannies with Radio 3's celebration of the James-Like quality of New Year's Eve. At times the evening's theme, *Remembering and Forgetting*, seemed no more than a handy label for some entertaining ragbag programming: an excuse to hear a Panufnik quartet (memories of an exile) or a match of *The Grateful Dead* (a non-committal discussion of guitarist Jerry Garcia's musical amnesia following a diabetic coma). An ill-chosen recording of Samuel Barber's nostalgic setting of James Agee's text in "Knoxville: Summer of 1915" was memorable for proving that Leontyne Price, trying to scale down that voluptuously burbled voice, could make unbearably clumsy sounds after all.

A female poet and a male psychologist commented at various points in the six-hour skin over the topic of memory, real or imagined. This embraced the growing ("at a phenomenal rate") number of people who claim to have been abducted by aliens. The phenomenon is mainly American but even in Britain one a month is reported. Though sceptical, scientists take the claims seriously.

Over here the abductors are less inquisitive, in polite deference to English reserve perhaps, not being quite so sexual

in their experiments as their distressed American victims suggest. A down to earth northern Englishwoman did sound totally plausible, not least when refusing to continue probing her memories through genuine unease.

The evening's centrepiece was *Harold Pinter: the Proust Screenplay*. Written by Pinter, film director Joseph Losey and translator Barbara Bray, the projected film treatment of *Remembrance of Things Past* was never, alas, realised. It was a tantalising choice for radio, with its hints of evocative visuals, a myriad mosaic fragments, some lasting no more than a second or so, in no particular order.

Pinter himself read the directions, often simply a statement of time and place, in a voice that as the two hours progressed sounded increasingly like Derek Cooper, the admirable presenter of *The Food Programme*.

Newcomers to Proust might have been baffled since all the young women sounded identical, and a bit common at that. The Queen of Naples sounded like the patroness of a pizza parlor instead of the requisite Bavarian blueblood (mentioned in the text, for heaven's sake). The excellent John Wood was a ripe Chorus, both menacing and when necessary faintly ridiculous, and alone knew how to pronounce the name of the imaginary composer Vinteuil (the rest rhymed it with the Edwardian musical comedy *Son Toy*). The total effect was slightly trivialised, a glossy soap waiting to be made, an up-market *Duchess of Duke Street*.

Far more impressive was Radio 4's *The Nuremberg Trial*, a drama-documentary that used actors, the voices of historical characters and their living associates. It was infinitely more successful than the second world war RAF bombing raid reconstructed last year, with its fatally actorish overtones.

There was no room for false theatricality here, from the great rhetoric of the American prosecutor's opening speech to the terrible truths that unraveled in that courtroom 50 years ago like a Hieronymus Bosch vision of hell. Even more terrible was the unshakable self-righteousness of many of the Nazi defendants, their unwavering belief in themselves, and their inability to see the evil of what they had done.

Martin Jenkins and John Theocharis produced and directed an absorbing and uncomfortably relevant experience.

Twisting the arm of the heritage secretary

Antony Thorncroft discusses the plight of the Arts Council in the face of the lottery

The Arts Council believes it is making progress as it negotiates with heritage secretary, Virginia Bottomley, in an attempt to avoid cutting the grants of its clients in 1996-97. In the November budget the council was shocked to receive a 3 per cent reduction in its grant, down from £186m. The fact that the Treasury wanted Mrs Bottomley to accept an even smaller sum is little consolation.

Rather than accept the grant, the Council's chairman, Lord Gowrie, rather bravely postponed dividing up the cash - and the misery - among his clients, and announced that he would try and negotiate for more money. Arts companies

will now learn the worst, or the best, later this month. It seems unlikely that Mrs Bottomley will squeeze extra revenue from the Treasury, or re-divide her £18 budget to give more to the arts. Instead the talks are concentrating on that other great bag of swag, the arts lottery fund, which brought in £260m in its first year and is still growing. Somehow it must be made more flexible, weaned away from its current concentration on capital projects.

An obvious area of study, which could just make up the £5m cut and leave arts companies on stand-still grants, is the extra burden that working on the lottery imposes on Arts Council and Regional Arts Board staff. It could be argued that all the time they must now spend advising and administering lottery projects should be paid for out of lottery revenue. The money saved on the annual administration costs of the Arts Council and the RABs could go in grants.

This is just one option being discussed. What is perhaps more important is that there seems to be a will on both sides to find additional money for the arts, quickly. The bigger issue of under-funded arts

companies, with frozen grants, forced to create good work in brand new lottery financed buildings, has yet to be attacked. The simple solution - switching lottery money to revenue grants, or even to endowments - poses a danger to the long-term survival of an annual government grant to the arts.

Another lottery matter that must be confronted this year is matching money, the need for successful lottery applicants to be able to muster a sizeable contribution from their own resources. This is particularly tough for millennium projects, which must meet lottery money on a fifty-fifty basis. One major reason why Cardiff Bay Opera House was rejected by the Millennium Commission last month was doubts about its ability to raise its £40m towards the final cost.

The arts lottery is more reasonable, asking arts organisations to find only 10 per cent if they want a grant of less than £100,000; 25 per cent for larger sums. But even these amounts are already causing problems. Despite receiving £30m from the lottery, Ian Albery of Sadler's Wells is finding it difficult to raise its £10m needed

towards the £40m re-development.

The Wells receives little financial help from its impoverished local authority, Islington; only £120,000 a year from the London Arts Board; and raises £250,000 a year in sponsorship, the three obvious sources of lottery aid. Colin

Twedy of the Association for Business Sponsorship of the Arts thinks that the corporate sector will be unable to meet all the demands on its generosity from lottery seeking arts companies.

So far the Arts Council is relaxed about the problem. To date it has handed out 391 lottery grants for a cash total of £303m. But the total cost of the projects it is supporting is valued at £530m, suggesting that the arts have found 53 per cent of the investment from other

sources. Only Sadler's Wells is currently giving cause for concern.

Twelve times as many people work in the arts than in the iron and steel industry. This insight into the labour market comes from the Arts Council's analysis of the 1991 census. This showed that, in the previous decade, while the size of the overall work force stagnated, employment in culture rose by 37 per cent to 648,900.

As many people are culturally employed as work in banking and finance, or the railways and road transport. The biggest rise was in artists - including commercial and graphic artists, up 71 per cent, while employment on the stage was 47 per cent greater. Since 1981 the numbers involved will certainly have moved higher. Talk of the death of the arts has been much exaggerated.

This is the time of the year when you can visit the London auction rooms at Sotheby's and Christie's and be certain of a bargain. There are few, if any, sales and the main rooms are given over to free exhibitions. Christie's has the most intriguing show - Brazil as depicted in paintings, drawings

and tapestries by visiting European artists from the 17th to 19th centuries. This is the first major exhibition in London of the art of Brazil, and suggests that there is more to the subject than Frans Post, the celebrated 17th-century depicter of plantation life, although he features with four canvases. In particular, a mid-18th century expedition to the interior is affectingly captured in 37 watercolours by de Miranda.

Brazil opened this week and is joined on Tuesday by a display of watercolours from Harwood House. The Lascelles family first showed an interest in British watercolours in the late-18th century when they commissioned works from Turner and Girtin. Despite a massive dispersal - at Christie's in 1958 - re-purchases have given the Earls of Harwood a fine collection, highlights of which are on show until January 26.

Sotheby's main display, which opens on Monday, is traditional and popular - great country houses of the UK as depicted by artists from the 15th century to the present day. They come from Castle Howard, Althorp, Arundel, Houghton Hall and Dalmeney, among many more.

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SPORT

Cricket / Canute James

Lara's theme is out of harmony

The moderate performance of the once invincible West Indies have as much to do with the behaviour of their truculent players and the absence of the world's leading batsman, as it has with opponents.

Other teams would be justified in concluding that they were not being credited for an improvement in their play, matching and overtaking the West Indians in all departments of the game.

Much has been made of the problems in the West Indian camp, mainly the obvious differences between the administrators and Brian Lara, their exciting young batsman, and between Lara and his colleagues.

It is clear that on their current tour of Australia, players' minds are not focused on the Australian and Sri Lankan bowlers. They appear more concerned with what is happening back home, and how the impasse with Lara will be resolved.

Many have concluded that Lara has become a law unto himself and is beyond the measures which administrators apply to the lesser gifted when they transgress. Lara supporters - and not only West Indians - argue passionately but not persuasively, that he was unfairly treated by the board in its mild punishment for reported indiscipline on the England tour.

It is also unlikely that Lara would have reached the heights of the game were he not given to moments of arrogance. Is this not one quality which allows for the elegantly dismissive manner in which he treats some of the world's leading bowlers?

Others feel that Lara may have come too far too fast. Is he being diverted from the game by commercial commitments? Playing cricket for the West Indies imposes a weighty burden of expectation.

After entertaining England two winters ago, many of the West Indian players went straight into English county cricket then on a tour of India, then to New Zealand, returning home just in time to play the Australians.

Depressed by a rare defeat, they played six tests in England, and are now involved in a one-day series in Australia

before next month's World Cup.

This is clearly not the happiest of travellers. There is a clear commercial consideration in the schedule by the West Indies board. While pointing to the commercial disadvantage of the relatively small West Indian grounds, the region's board has been unable to make enough capital from what has been the world's most marketable cricket team.

West Indian supporters have been surprised and frustrated to see spectators in Australia and England wearing West Indian hats and shirts, which have been difficult to obtain in the region.

It is only in recent months that there have been sound commercial rewards for West Indies cricket, and mainly through the televising of

Players have complained of being isolated and having no input into the game's administration

games. So a packed schedule, preferably of away tours, has been the order for the team.

Compounding these problems is an apparent lack of communication between the administration and the players. Former West Indies players, including Vivian Richards, Desmond Haynes, and Malcolm Marshall, will agree that the West Indies board has not managed its relations well with players.

A significant improvement in players' earnings in recent years appears to have been considered enough. Players have complained of being isolated and having no input into the game's administration. In such situations, relatively minor problems of administration are magnified, differences of opinion among players become permanent rifts.

Fatigue and dissension are not all that is responsible for West Indian woes. Other teams have raised the quality of their game, emulating the West

Indies' transformation of their approach, and are as physically well-prepared and committed.

It was also unlikely that the Caribbean islands would continue to produce indefinitely numbers of fearsome fast bowlers and creative batsmen.

In the current squad, for example, the enigmatic Curtly Ambrose and the tireless Courtney Walsh seem to be the last of the great pacemen. West Indies' domestic competition offers few pointers to replacements.

There are similar dim prospects for an improvement in the batting. In the wake of the departure of Greenidge, Haynes and Richards - and the persistently poor form of Richardson - only Lara appears able to convert 40s into half centuries and then into centuries when it really matters. The new wave - Hooper, Campbell, Adams, Chandrapaul - are talented but inconsistent.

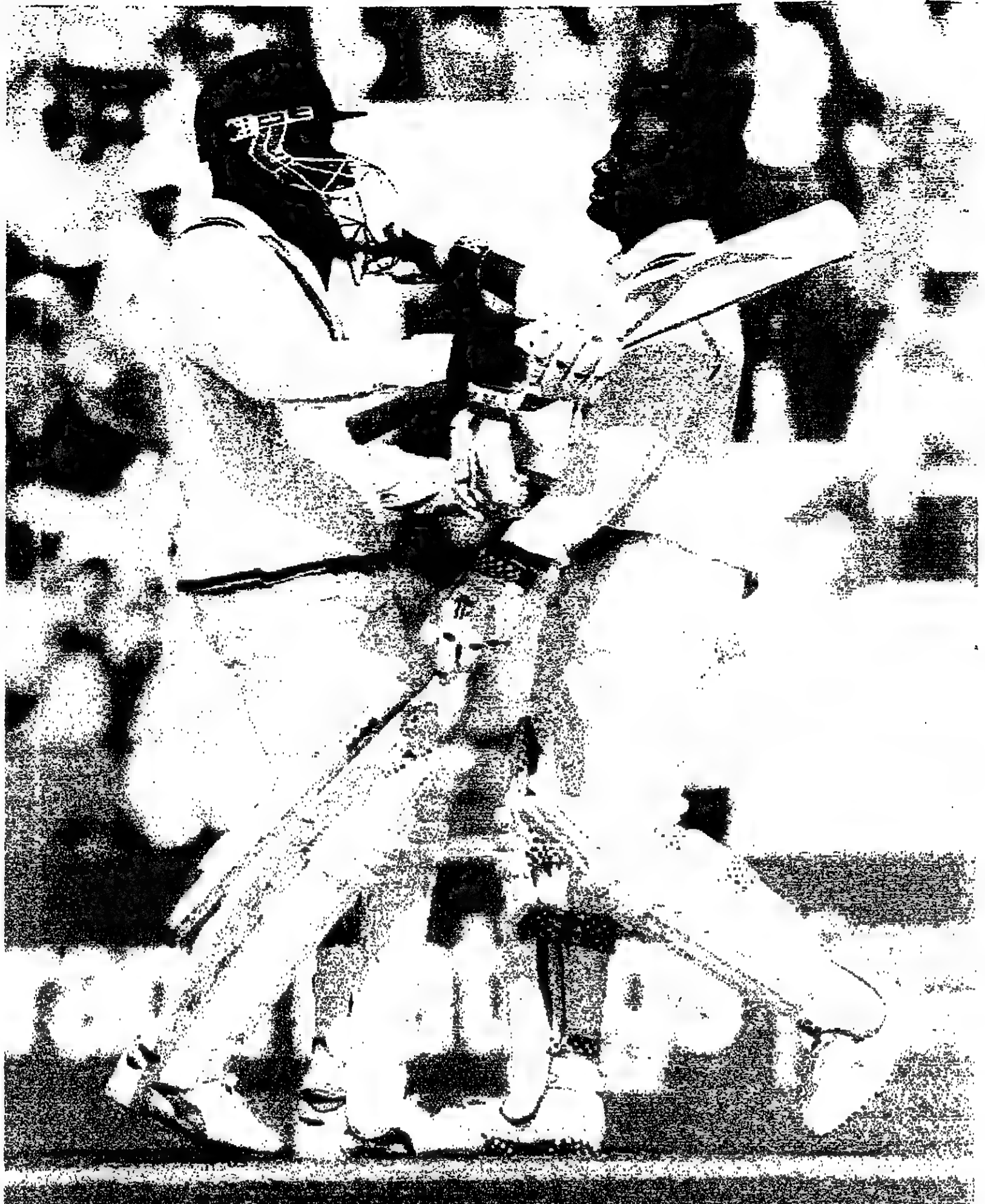
Which brings us back to Lara. Does he have a future in West Indies cricket? If nothing else, Lara is ambitious. Logically, his next step should be to lead what could, perhaps again, be the world's best team. Until last summer he was on course for the captaincy. Now many, including a few of his supporters, are less certain.

The rows with Richie Richardson, the current captain, which were revealed in the manager's report of the tour of England, suggest that Lara will not easily be part of a team led by Richardson.

Unless there is a recovery in the fortunes of the West Indies, Richardson will face growing pressure to step down. However, Lara is unlikely to be appointed by a board with which he clearly has differences, and is also unlikely to fit into a team comprised of players he has criticised.

In spite of the results in Australia, the West Indies team is not a one-man band. It has lost matches, and a series, with Lara. But in recent times it has not won many when he fails to perform.

Any team will benefit from a brilliant and assured century or double century from Brian Lara. If it does not happen again, the loss will not just be to the West Indies, but to cricket.



Lara and Richardson: will they ever play together again?

Tennis / John Barrett

Graf confirms her greatness

John Barrett's 1995 world rankings

(Last year's positions in brackets)

- MEN**
1. Pete Sampras (USA) (1)
 2. Andre Agassi (USA) (2)
 3. Thomas Muster (AUT) (3)
 4. Boris Becker (GER) (4)
 5. Michael Chang (USA) (5)
 6. Yevgeny Kafelnikov (RUS) (6)
 7. Thomas Enqvist (SWE) (7)
 8. Jim Courier (USA) (8)
 9. Wayne Ferreira (RSA) (9)
 10. Goran Ivanisevic (CRO) (10)

- WOMEN**
1. Steffi Graf (GER) (2)
 2. Monica Seles (USA) (3)
 3. Arantxa Sanchez-Vicario (ESP) (4)
 4. Conchita Martinez (ESP) (5)
 5. Mary Pierce (FRA) (6)
 6. Gabriela Sabatini (ARG) (7)
 7. Kimiko Date (JPN) (8)
 8. Mary Joe Fernandez (USA) (9)
 9. Jana Novotna (CZE) (10)
 10. Anke Huber (GER) (11)

and the women's WTA tour (based on the round reached at each tournament, plus bonus points for beating higher ranked players), would give

the answers. After all, they decide who will be accepted directly into the main draw each week and who will have to qualify.

Yet the men's computer selects only the 16 best performances to produce the final rankings and ignores bad losses, a potentially dangerous arrangement which favours the top players. The women's points allocation is based more fairly on an average - points won divided by tournaments played. Yet the table is poorly weighted so that highly ranked players performing badly tend to fall too slowly.

Ironically, though, for the first time for years I can find no quarrel with the men's ATP Tour rankings. Thomas Muster, the bravest man in tennis, is an outstanding third. He won his first Grand Slam title in Paris plus 10 other tournaments on clay and one indoors, in Essen, where Sampras was a semi-final victim.

A rejuvenated Boris Becker is a clear fourth after reaching

the Wimbledon final, the US Open semi-final and winning the ATP Tour Championship where all the top men played.

French Open finalist Michael Chang is a secure fifth after enjoying his best season for years with four titles from seven finals, plus an appearance in the semi-finals of the US Open.

Two outstanding 21-year-olds appear at sixth and seventh. Yevgeny Kafelnikov won four tournaments and led Russia to the Davis Cup final for the second year in a row while the Swede, Thomas Enqvist, claimed five titles and won all three round robin matches at the ATP Tour Championships when he almost beat Becker in the semi-finals.

Jim Courier returns to the top 10 after winning four tournaments and pushing Becker to the limit in the semi-finals of the US Open, and in last place is Goran Ivanisevic, a Wimbledon semi-finalist who has at last won an important

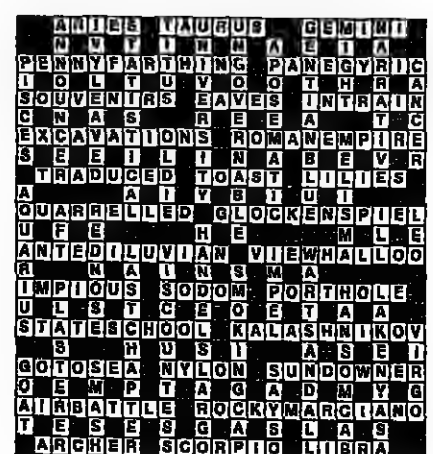
No.5 but after winning in Australia Mary Pierce did little else all year.

Gabriela Sabatini reached the semi-finals at the US Open (where she was the champion in 1990) and the quarter-finals in Paris at Wimbledon, and at the WTA Tour Championships. These performances keep her at No.6 ahead of the next Japanese No.1, Kimiko Date, who had a much improved year but not as good as her No.4 ranking on the WTA Tour list would suggest.

Triple Grand Slam quarter-finalist Mary Joe Fernandez, happily restored in health, is at No.8 followed by Jana Novotna who took a set from Graf in their Wimbledon semi-final and held set points against Seles in their US Open quarter-final, something no one else could claim.

In last place is Anke Huber who reached the fourth round at all four Grand Slams and was a finalist at the WTA Championships. You cannot be much more consistent than that.

CHRISTMAS CROSSWORD SOLUTION



WINNERS

K. Gardner, Cinderford, Gloucestershire;
R. Eyland, Scarborough, Yorkshire;
J. Gunn, Lyford, Oxfordshire;
G. Hale, Steyning, West Sussex;
G. Hollis, 12 Lodge Drive, Hatfield, Herts;
O.P. Pearce, Ponteland, Newcastle-upon-Tyne

Who is the best? In all sports, that is the question that dominates the conversation in most clubhouse bars around the country, especially at the end of a year or season.

So far as tennis is concerned, the issue was settled for me on two days in early September. If Monica Seles had beaten Steffi Graf in the final of the US Open, as she so nearly did, to complete what would have been a unique comeback after an absence of 26 months, then I would have given the 21-year-old Yugoslav-born left-hander the top spot ahead of the 26-year-old German.

Yes, I know that Graf had won the two previous Grand Slams in Paris and at Wimbledon and had lost only two matches all year in 11 tournaments. But Seles had spent so long out of the game since Gunther Parche stabbed her on court in Hamburg in April 1989 and in spite of her lack of real match practice, had still won the Canadian Open in Toronto. She arrived in the US final on a run of 11 consecutive winning matches in which she had not conceded a set.

Thus, everything depended on that one match. In winning it, Graf confirmed her great-

ness which she underlined by claiming the WTA Tour Championships where the injured Seles could not play. In a year in which Graf was plagued by injuries and tax problems - her father Peter is still in prison on tax evasion charges - that was no mean achievement.

Similarly, if Andre Agassi, the reigning Australian Open champion, had retained his US title the following day at Flushing Meadows against his old rival Pete Sampras, then the 25-year-old Las Vegas would have been No.1. He would have just had the edge over the three-time Wimbledon champion, in spite of Sampras's heroic Davis Cup effort from the year's end. It was as close as that.

Mind you, Agassi was unlucky on two counts. First, his US Open semi-final, a draining revenge win against Boris Becker that lasted three hours, had followed Sampras's four victory over Jim Courier,

Thus Agassi had only 19½ hours to recharge his batteries before the final.

This idiotic scheduling, both unnecessary and unfair, has been universally condemned by the tennis community for years, yet the USA still continues to allow the CBS television network to dictate scheduling.

Then there were the injuries. Agassi's year started to go wrong in Paris. Having dominated the early part of the year and overtaken Sampras in April to head the world rankings, he tore a leg muscle in his French Open quarter-final against Kafelnikov. Then came the inexplicable Wimbledon loss to Becker after leading by a set and 4-1. Further injury after the US Open curtailed his year just as he was about to launch another attack on the summit.

What about the rest? You might have thought that the "official" rankings in professional tennis, those published weekly by the men's ATP Tour

Rugby / Huw Richards

Cardiff look to home help

Sponsor and competition can rarely have been more happily matched. The Heineken European Cup, which reaches its climax tomorrow in Cardiff, really has allowed rugby players to go to parts they might otherwise not have reached.

This season most new rugby union developments are doomed to be greeted as bar-bingers of the openly professional age. Few have a better or a happier claim than tomorrow's meeting of Cardiff and Stade Toulousain, champions of Wales and France respectively.

New it may be. But the contenders reflect old orders. Toulouse's second consecutive title last May was their 12th in all, making them the most successful club in French history.

Cardiff's tendency to assume primacy irks supporters of other clubs, but an important element in the irritation caused is that their claims

have substance. For once they should command enthusiasm from the rest of Wales.

Evidence of revival in national fortunes, from whatever direction, is being sought. Cardiff's impressive semi-final victory away to Irish provincial champions Leinster was greeted as a happy omen for the national XV's visit to Dublin on March 2. Victory tomorrow would provide similar encouragement in advance of the French team's visit on March 16.

But there is more than national pride in Welsh enthusiasm for the new competition. An unintended consequence of national leagues has been introspection. The loss of historic Anglo-Welsh links has hit

Wales harder than England, where the Courage Leagues have helped turn the national team from perennial under-achievers of the British game into its masters. But Wales has experienced an over-concentration of talent, a destabilising transfer market and introversion just as the top English clubs became worthwhile opposition.

The fresh window on the world provided by the Heineken Cup, with Ireland, Romania and Italy involved alongside Wales and France, has been desperately needed.

Too bad that it has been without English participation. The Rugby Football Union, its structure based on counties, is traditionally wary of club

influence, never more than now, as it contemplates the fall-out from open professionalism. So, following the generously visionary precedent of their soccer counterparts - who refused to allow champions Chelsea to enter the first European Cup in 1955 - they kept their clubs out until next year. So did the Scots, who may field divisional rather than club teams in 1996.

There is no doubt that Bath and Leicester, in particular, would give added depth and distinction to the new competition. But no one quibbled over Real Madrid's achievement when they saw off Reims 4-3 to win soccer's first European Cup, and few at Cardiff will question the standing of tomorrow's contestants who provide the final the organisers wanted.

Cardiff and Toulouse are simply the best teams in the tournament. Toulouse play with all the free-flowing creativity expected when you wear the traditional anarchist colours of red and black and are led by Emile Ntamack, a sinuous runner who was an outstanding wing in the World Cup. But they lack nothing in power or organisation.

Forwards such as Dispagne, Califano and Soula provide a competitive hard core. Outside-half Deylaud, whose almost comical World Cup ineptitude did so much to torpedo France's chances, showed the kicking talents that first won

him selection. As Swansea captain Stuart Davies said: "We looked for weaknesses but could not find any."

For half the Cardiff team the World Cup was almost as disappointing as Deylaud's. Among the most important will be lock Deryn Jones. Too often he fades after starting big games well, but he reversed the pattern with a dominant second-half against Leinster and his height advantage - he is 6ft 10in - should guarantee plenty of possession. But line-out dominance alone is, as England found against New Zealand and South Africa in 1995, no guarantee of victory.

Cardiff's very real hopes rest on home advantage. The sentiments of England prop Mike Burton, before a 1970s match against Wales, spring to mind. When Burton's captain, Bill Beaumont, said he hoped the best team would win Burton replied: "I bloody hope not."



James Morgan

You say democrats, I say dictators

The fragile flower of democracy is viewed very differently on each side of the English channel

The festive season was marked by the usual outpourings of goodwill in Britain. As ever, its neighbours had to bear the full force of the outbreak and suffer yet another dose of good old bulldog realism. So it was that the celebrated novelist, Frederick Forsyth, produced an essay in the *Sunday Telegraph* tastefully entitled, "Will I too have to fight the Germans?" His argument concluded: "I recall the anthem 'Deutschland über Alles'. I do not want the land of my fathers to become part of the *Alles*." The Land of my Fathers usually means Wales, which makes this sentence a bit confusing. That was followed by a lengthy piece in *The Times*, headed "A too

German Union", by Lord Rees-Mogg. Rees-Mogg is a regular commentator on the superiority of British political and economic arrangements. This time he wrote: "The German political tradition is undeniably authoritarian" and "Adenauer and Kohl are authoritarian democrats". He noted that English culture is liberal and pluralist while Germany has a "control culture". The argument was fleshed out with telling references to Adolf Hitler and Bismarck.

Forsyth had come to a remarkably similar view: "The difference between the British and German peoples lies not in language, diet, culture or history, but in attitudes to authority: the British will always dispute it, the Germans

will always worship it." Anyone who avoids the clichés of national stereotypes and casts aside ancient prejudices always receives a generous welcome in this column. So in the interest of fairness I am compelled to reprint here comments from a new year comment by the well-known German columnist, Helmut Allenwieser, in the *Rattenfänger-Tagesspiegel* of Hameln.

Under the heading, "Away with this British Dictatorship", Allenwieser lamented the way Britain expected other members of the EU to put Britain first and sacrifice their interests to its. "This nation has no knowledge of the limits of its power, living as it does in a post-imperial dreamworld where it

can dictate the way things should be done by so-called lesser breeds."

He then evoked the authoritarian traditions of British politics. "Where else is there a democracy that enshrines the sovereignty of parliament, a nation which gives *carte blanche* to that body to do whatever it likes? Which enabled Lady Thatcher to abolish the aged government of London in a single diktat."

Allenwieser argued that in Germany the rule of law and a written constitution ensured that free speech was fully protected. "Our constitutional court in recent months has, in the face of hostile popular pressure, asserted the right of pupils not to be affronted by religious imagery which they

find distasteful. Our courts have said that a bumper sticker bearing the words 'Soldiers are murderers' cannot be banned because that would be an infringement of free speech. In Britain, when the government decided to prevent its political opponents in Northern Ireland being heard on the radio and television, it did so with a single command."

The article then listed the "astonishing changes" to which the British had submitted in the past 15 years without any of them, he said, having been part of the government's election programme. "And," he concluded, "all this was done by a government which held an overwhelming majority in parliament having received only 40

per cent of the popular vote. The British accepted it all. In France one-tenth of the same medicine had the people on the streets. The French are attached to their traditions and will fight to preserve them. The British will always submit to what they themselves call 'an elected dictatorship'."

Allenwieser concluded by quoting the second verse of the British national anthem: "O Lord our God arise, Scatter her [the Queen's] enemies. And make them fall. Should we all have to fall on our knees before Britannia?"

It is unusual to come across such half-truths, distortions and self-assertion in European papers. You just can't trust these continentals.

Peter Aspdon More pranks in the banks



I marched into my local bank on the last day before Christmas with the traditionally purposeful air of one who has urgent business to do; imagine my surprise when I was greeted by a splendidly eccentric vision of life on the *Hispaniola*.

Fishing nets draped over the office; a skull-and-crossbones flag fluttering in the corner; counters marked "Gallows" and "Gunpowder" instead of deposits and withdrawals. The manager's office, normally a haven of dignified quietude, had become "Captain Goatee's Beard Cabin". The young clerk behind the counter, naturally enough, had a plastic parrot attached to his shoulder and a black eye-patch worn casually across the forehead.

I grumbled something unseasonal about being glad I was not there to negotiate a delicate overdraft. But a foreign friend shook me from my grumpiness. This, I was reminded, encapsulated everything that was great about the English: the championing of horseplay over pomposity, the democratic willingness of everyone to join in the fun, the feeling that people were enjoying themselves in their work, and why not?

Why not, indeed. I was forced to agree. The customers were certainly entering into the spirit and the entire building seemed to radiate with good humour. It would become - did become in my case - a funny story to tell over the Christmas dinner.

But the question hammered away at my mind during the entire holiday: why could it not always be like

'Tessa' and 'Pep' should not be repeated more than once in a conversation

this? If people so obviously appreciated these examples of mild non-conformism at Christmas, would they not also respond favourably if they were to occur outside that tiny time bubble of frivolity?

Banks, I will admit, have a problem. They stand for solidity, security, safety. Employees are encouraged, within weeks of engagement, to acquire that "officiousness of hierophants tending an eternal flame" described by the American essayist Lewis H. Lapham. The qualities of improvisation, spontaneity and quick wit are hardly what we look for when we entrust an institution with hard-earned cash.

Money is a serious business, bank managers argue. But only up to a point. For the making of money, as we are constantly reminded, requires precisely those qualities of verve and imagination which are so unjustly discouraged in high street institutions.

Listen to any lunchtime conversation between our trader friends in the City and it will be anything but serious: jovial, fast, intense, vulgar, but rarely serious. Hell, they even get to wear those ridiculous yellow and red jackets while the rest of us pay homage in boring, pin-striped solemnity.

Thus we have an unfortunate bifurcation: those who make money, who possess lots of it, who shift it round the world with princely abandon, celebrate with due lack of reverence, for they can afford to. But that leaves the rest of us, tired, cautious, worried, a little afraid, seeking comfort from bland certitudes and uniformity. "Greed is Good," we gordon Gekko; "Grey is Safer," we reply. Grey suits, grey hair, grey prime ministers.

Christmas pranks in high street banks are like the glass of sherry dispensed before an Oxford tutorial: here is a little tippie to relax you, but do not forget - you have a difficult time ahead and it is best that you do not drink too much.

It does not take a genius, nor even a Nick Leeson, to realise there is much cant and hypocrisy going on here.

But we have it in our hands, as customers, to change things. It does not have to be pirates on the ocean waves, but I shall personally demand that all my future financial transactions be conducted with some degree of wit, flamboyance and creativity.

Furthermore, I shall unhesitatingly transfer my accounts to anyone who agrees with me that 25 years is far too long a time-scale over which to make rational decisions, that the words "mortgage", "Tessa" and "Pep" should not be repeated more than once in any conversation, and that capitalism is on the verge of world-wide collapse.

But a word of warning: if he or she were to misplace any of my money, I would not see the joke at all, parrot on the shoulder notwithstanding.

Michael Grade's personal assistant said her boss would be happy to have lunch on condition he was not asked about his personal life. I was disappointed but not surprised. Why should Grade subject himself to yet another amateur attempt to psychoanalyse what is usually described as his "colourful" background? ("It's not colourful to me. It's very painful," he said later, when we had indeed strayed on to the dreaded subject.)

But there is plenty else to talk about to the head of Channel 4 who is variously regarded as a dazzlingly talented television executive and Britain's pornographer-in-chief - as one tabloid newspaper has dubbed him.

When he arrived at Shepherds, a restaurant in Westminster owned by actor Michael Caine, he seemed in excellent spirits. He greeted the manager like an old friend and ordered a dry sherry. The two engaged in some laddish repartee about hangovers.

"It's a fun venue because it has a lot of school food," he said. "Now, what am I doing tonight? Eventually, going home. So I'll have the steak and kidney pie. I'll have quail egg salad. You see, I'm very decisive. What are you going to have?"

I ordered cheese and avocado salad, and then some place. "Very nice," he said.

Grade knows how to be charming. He is handsome, amusing and, if you manage to get a word in edgewise, he listens to what you say. He is also one of the most interviewed businessmen in the country. The media love anyone in television, particularly someone with his background (son of theatrical agent Leslie Grade; nephew of entrepreneur and television tycoon Lew Grade; deserted by his mother when he was a baby; estranged from his sister; several times divorced). He courts attention with his brightly coloured braces and ties, his cigar, and his vociferous comments in praise of Channel 4 or against the iniquity of its funding formula.

I asked why he gave so many interviews. "You'd be amazed what I turn down," he said. "I haven't done anything like this for ages." I did not mention the three lengthy interviews since May, but commented that everything written about him was the same. He shrugged. "I never put restrictions on an interview. I never lay down conditions."

I said his PA had given me a different impression.

"Did she? Oh." For a moment, he seemed put out. "It's not a formal condition. As a zealot on freedom of speech, the idea that I would put limits on a journalist is ridiculous."

Defiantly, he changed the subject. "We've got this horrendous argument over legislation that is costing the channel a fortune." I had been waiting for this. Grade never misses the chance to complain about the fact that Channel 4 has to give a proportion of its profits each year to TV's shareholders.

"To be giving them £75m a year - and the worse they do, the more we have to pay them - is demoralising. Abolishing the formula would create 1,500 new jobs, it would mean more money for training, and more for the regions." (These arguments cut no ice with the government which shortly after our lunch announced that the formula is to stay, albeit in slightly less onerous form.)

There is one big snag about this week's huge National Lottery prize. It provides an occasion for yet more pontifical denunciations.

The Right Reverend Nigel McCulloch, Bishop of Wakefield, has described such a large prize as "obscene", and has uttered with sepulchral charm his general condemnation of the whole business.

By happy coincidence, on the day his views were reported, Radio 4's *Daily Service* was led by the Right Rev Christopher Mayfield, Bishop of Manchester, who told us, *en passant*, that the organ of the church from which the broadcast came was about to fall silent for several months while it was completely overhauled, using money provided by the National Lottery.

In the early days of the lottery, I spent my enormous winnings many times over. I have funded the Jerusalem Centre for the Disabled, endowed the college of which I used to be principal, given massive amounts to Christian Aid, while my personal lifestyle has, of course, not changed at all.



Workaholic: when the head of Channel 4 finally gets home from the office he turns on the television. "I've got one in every room."

Lunch with the FT

Living up to the family name

Lucy Kellaway meets Michael Grade, who insists that insecurity drives him to work 12 hours a day

He changed tack. "I'm having a wonderful day today. At the start of the morning, I had a board meeting of our television and film distribution business, which is a wonderful export success story. At 12 I had a meeting with Chris Evans [a television and radio performer] and we had a long heart to heart. Lunch with you, this afternoon, I've a meeting on the funding formula. This evening we've got the launch of a film distribution business. A (un-packed) day."

And what would be a bad day, I asked, walking straight into it.

"Lobbying the government. It makes me so angry. They've asked us to go into competition with the BBC. Sky..." He was off again.

Our lunch had been going for half an hour but, so far, we had eaten nothing. "Hello, are you serving food today?" he asked a waiter.

Thinking about his steak and kidney pie, I asked if he was still on a diet. "No, but I ought to be. I am slightly overweight but nothing too

gross. I love my food. I love my beer. But I need an incentive. If you fall in love, you are much more attractive if you are a stone and a half lighter."

Climbily, I asked if any such incentive was presenting itself, but he misunderstood the question. "I've got a bad back. It has been very bad these last three months. I went off to see this man, Mr Crook. He said take a 75ml aspirin every day and walk 2½ miles. That's a lot of help. The chances of me finding time for that."

The only exercise he takes is skiing and sailing. I mentioned an incident last summer on his yacht when he lost his temper with prying tabloid photographers and, according to the *Daily Mail*, used a certain four-letter word 30 times.

I felt violated. I was absolutely bloody exhausted. I had dreamed of getting the new boat and sailing it home. They were all out there with long lenses. I should have given the boys a story, let them write their worst - all their terrible, horrendous, envious stuff."

His voice became hard and bitter. "If they had to work as hard as I've worked in my life, they wouldn't have lasted three minutes. I stood there screaming until they went away. My toes curl at the memory of it. When you are exhausted, you don't think properly."

This led to a discussion of the pressures of his job. "I work 12 hours a day if I'm lucky. That's a good day. A lot of it is insecurity - I am driven. It's the sign of insecurity, but it's served me very well. Working harder than my competitors has given me an edge."

I protested, feeling impatient at this ultra-smooth man going on about how insecure he was.

"Put it this way. I have an enormous reputation to live up to with the family name." Every morning he talks to his uncle Lew on the phone. "We chat chat. Gossip. A bit

of business. He is the best. Magic man. Magic."

I asked if he thought of himself as more or less of a workaholic than, say, BBC director-general John Birt or his friend at Carlton television, Michael Green.

"John Birt is driven by his background. He comes from second generation immigrants, Ukrainians." Grade seemed reluctant to discuss his erstwhile colleague, with whom relations are strained. "We are able to converse," was how he put it.

"But Michael Green is a wonderful man. He is driven, but fantastic at creating time for his family. I don't know how he does it. It's because he has a wonderful relationship."

I wondered how the famously private Green would feel about his friend discussing his family life.

When Grade finally gets home from work, he turns on the television. "I've got one in every room."

With the enthusiasm of a born marketing man, he started to talk about

his favourite programmes.

"I'm just looking at my watch to see if I have time for a cigar," he said. "I will smoke. Do you mind?"

Cigar lit and coffee brought, I asked him to tell me a joke. "Let me think for a second." For the first and only time during lunch, there was a second's silence. "The best jokes are Rory Bremner's," he said, slipping in another plug for Channel 4, which produces the impressionist's show. He imitated Bremner imitating Labour party leader Tony Blair. It was quite funny. But not as funny as a vicious imitation he later gave of William Rees-Mogg, the former editor of *The Times*.

Cigar finished, he said thank you, nicely, and stepped into his chauffeur-driven car to proceed with his wonderful day. Later, I received a letter saying: "Hope you got what you wanted/needed, hope I like it when I see it. Yours 'til the funding formula is abolished," followed by a hieroglyphic which might have said Michael Grade.

Truth of the Matter / Philip Crowe

Abstaining from the Lottery

Needless to say, I have so far won nothing. Statistically, the chances of my winning are worse than having a serious accident with my fridge door, since I have not yet bought a ticket. But this week's massive jackpot has tempted me to play even more elaborate games: a charitable foundation, perhaps, with interest of £40,000 to disperse every week, and a full-time director (me, of course) paid a modest salary and expenses.

Already the games are becoming less innocent, and still I have not bought a ticket. I am not dissuaded by the "sight-bite" of the episcopal finger seen on TV news pointing ominously at that over-worked verse from the Bible: "The love of money is the root of all evil."

It seems a little extravagant to assert that love of money is the root

cause of all evils, and a little elementary research indicates that the verse as usually quoted is not accurate.

The original Greek has no definite article before the word root. Love of money is a source of all evil. So that is all right then. Nor am I dissuaded, or not much, by the fact that the chances of winning are extremely slight, and the price of buying just one ticket is having to leave that high moral ground which is strictly reserved for those who have never once played. Abandoning such self-righteousness would be a compelling reason for spending at least £1.

What really sets me against making any contribution to what Virginia Bottomley, the Heritage Secretary, describes as "harmless fun" is, curiously, the Report of the Royal College of Psychiatrists on Alcohol and Alcoholism.

Until that report was published, the conventional wisdom was that there was no connection between normal social drinking and alcoholism.

For the vast majority, it was thought, social or even quite heavy drinking was no problem, and separate from alcoholism. A few people, through unfortunate body chemistry, hard circumstances, or broken relationships, will degenerate into alcoholics, but the number of such people is not affected by normal drinking.

What the report demonstrates, by drawing on a mass of statistical and social data, is that there is a direct correlation between normal, social drinking and alcoholism.

"The evidence," says the report,

"gives strong empirical support to the statement that per capita consumption and health damage from alcohol go hand in hand, up hill, and down dale."

In the 25 years before the report was published, consumption of alcohol in Britain increased by 87 per cent. We are now drinking even more, and in consequence, the number of alcoholics is well over 1m. The increase in limits for "safe drinking", announced by the Health Secretary just before Christmas, are likely to make a bad situation worse. The Department of Health has apparently forgotten the conclusions of the Royal College of Psychiatrists.

What is true of alcohol is also true of gambling. A substantial increase in the number of people enjoying a "harmless flutter" is likely to result in a marked increase

in the number of serious casualties.

The National Lottery represents a huge increase in the number of people gambling on a regular basis. Some 30m people every week spend at least two pounds, some a great deal more. The number of addicts has also inevitably increased. Gamblers Anonymous reports an increase of 20 per cent in the number of calls for help since the start of the National Lottery.

Bottomley appears to dismiss all criticism in a cavalier way as "deriding a great success". For Camelot, the lottery is an unflinching weekly jackpot which has exceeded all its expectations. For people who enjoy a weekly thrill of harmless expectation, for people who play games in their heads, for some of the winners, and for the good causes, it is a big success.

But the more successful it is, the more people who are lured by the vast prizes, the greater the number of serious casualties. For the health of society as a whole, the lottery needs not pontifical statements, but a large number of abstainers.

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Weekend Investor

Wall Street

AT&T rings some unwelcome changes

Mass lay-offs add impetus to a new industrial revolution, writes Maggie Urry

Happy new year. That is, unless you work for AT&T. The spirit of good will did not last long for employees of the US telecommunications giant, which is in the process of splitting itself into three. On Tuesday, they learned that 40,000 jobs were going, including 30,000 through involuntary redundancies.

The unhappiness is not confined to those 40,000, though. AT&T has not yet told its 300,000 staff which of them is going, which means uncertainty will hang over the workforce for many months to come. And even those who eventually survive this round of job losses, having already escaped the 17,000 reduction in the head count over the past four years, will be wondering if further cuts are to come.

Given that uncertainty, are those people likely to be rushing out to buy cars, houses, washing machines or even to take a holiday?

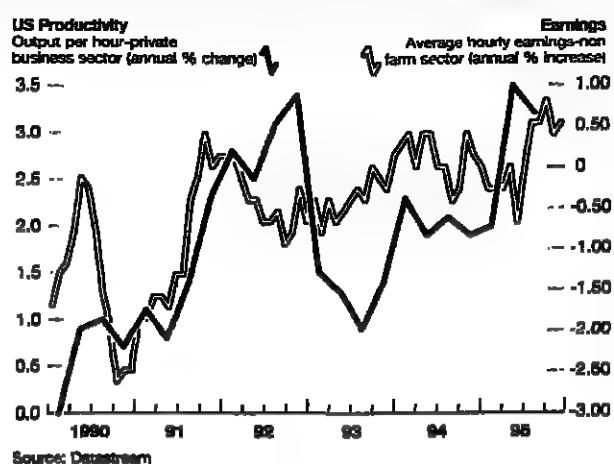
If workers had not realised already, the era of a job for life has gone. AT&T's new year cuts may seem brutal, but no more so than the action taken by many companies in America and elsewhere in the industrialised world. Industries particularly affected are those such as AT&T in which technological changes mean people are being replaced by machines. It is little short of another industrial revolution.

In the end, it could prove that this industrial revolution, like that in Britain late in the 18th century, will produce a newly vibrant manufacturing sector. But, in the shorter term, it is hardly surprising that consumer confidence is not as high as the stock market. Or that retailers are complaining that their Christmas sales were as bad as in the 1990-91 recession. If not worse.

While productivity has been rising sharply in recent years, average earnings have lagged far behind. That has been beneficial to corporate profits and profit margins, and has kept a lid on inflation. In turn allowing the Federal Reserve to ease interest rates. That combination helped to fuel the rise in the stock market last year.

Market strategists would like to see it continue. Most are not too concerned if consumers are under pressure. Low growth in spending would help to keep inflation down, enabling more interest rate cuts. And corporate profits can continue to

Productivity not reflected in earnings



rise, though less rapidly. Furthermore, if employees fear being laid off, they might save more and perhaps invest more in the stock market.

There are a few voices being raised over the plight of the consumer. Will not the weak retail demand eventually work back through the supply chain even to the basic industries? This economic recovery has shown the weakest rise in consumer spending of any since the second world war.

There is, however, at least one voice arguing the opposite. The threat to the markets in 1996, says Stephen Roach, chief economist at Morgan Stanley, is that the consumer will spend more than many think. That would mean inflation picking up and interest rates not coming down.

Roach argues that after years of pay restraint, employees could start to press for a share of the improved profits their employers have been enjoying.

He points to the example of the strike at Boeing, and last October's election of John Sweeney, a militant, as head of the American Federation of Labor and Congress of Industrial Organizations, a body akin to the UK's TUC.

Boeing, the aircraft manufacturer, settled a 10-week strike of 33,000 machinists in mid-December on terms considered favourable to the union - including a 10 per cent bonus and a promise of a 14 per cent pay rise in 1997. Only a few days later, Boeing announced plans to increase production as worldwide demand for aircraft was recovering. It seems it needed those workers.

In spite of the bombshell dropped by AT&T, Roach points out that the number of lay-offs peaked in 1993 and has been falling since. Workers' bargaining power is increasing. And if Wall Street needed any reminding of that, a strike started this week of office maintenance staff - which meant brokers could soon be emptying their own waste paper baskets.

Roach predicts consumer spending will rise by 2.5 per cent in 1996, still below the 3.5 per cent rate in 1994 and 3 per cent in 1995 but higher than most forecasters are expecting. He is not expecting a "buying binge", he says, but neither is he predicting the sort of gloom which would keep the stock markets happy.

But the prospect of technology companies reaping huge profits as computers replace people, something that helped to drive up the sector last year, has taken another battering in the past couple of weeks. Profit warnings or poor results from companies such as Cirrus Logic, Silicon Graphics and Adobe Systems have knocked their share prices and put the technology sector under pressure again.

Shares in AT&T, by contrast, have risen this week. News of the lay-offs and a \$6bn restructuring charge, lifted the stock price by 8% on Tuesday to \$67. So, at least it was a happy new year for the shareholders.

Dow Jones Ind Average		
	Monday	Market closed
Tuesday	5177.45	+40.35
Wednesday	5184.07	+16.62
Thursday	5173.84	-20.23
Friday		

London

Taking off into turbulence

High-fliers herald a volatile year, says Philip Coggan

Fasten your seatbelts. If the first week of 1996 is anything to go by, it is going to be a volatile year. In just the first four days of trading, investors have dealt with all-time highs across Europe, the defection of a Conservative MP, the resignation of the Japanese prime minister, the dismissal of the London Stock Exchange chief executive, and a threat to impeach the US treasury secretary.

Accordingly, the FT-SE 100 index bounced around like an aircraft during a thunderstorm. At one point on Tuesday, the leading index was 224 points lower, at 3,666.9, on the back of fears about the government's stability after Tory MP Emma Nicholson's defection to the Liberal Democrats.

Then, a strong start to the year on Wall Street inspired the market to rise 27.7 to a new all-time closing high of 3,715.6 on Wednesday. London was merely joining in the trend; shares in Amsterdam, Brussels, Cyprus, Dublin, Frankfurt, Johannesburg, Madrid, Oslo and Zurich reached all-time intra-day or closing highs on the day.

On Thursday, the index eked out another 7.4 to an intra-day high of 3,723 in the morning but ended lower on the session. Worries about the ability of the US to put together a budget deal, in the face of Republican threats to impeach treasury secretary Robert Rubin, knocked Wall Street late on Thursday and caused Footsie to open with a 25-point loss yesterday.

A brief recovery followed but, in the afternoon, the Dow Jones Industrial Average was mostly weaker and Footsie finished 9.6 points lower at 3,704.5. Nevertheless, the leading index ended the week above the 3,700 level and the FT-A All-Share index managed to record more all-time highs.

If anything, the broad market has been performing even better than the leading index this week; in the first three

days of trading, advancing stocks outpaced declining ones by more than two-to-one.

The broad market's strength brought the yield on the All-Share down to 3.75 per cent by Thursday night, lower than at any time during 1995. It has not normally been a good time to buy equities when the yield has been below 4 per cent.

The irony is that the year has started with such turbulence when most City commentators do not expect 1996 to be that exciting for equity investors. Most fundamental analysts are forecasting that Footsie will make modest progress in 1996, with predictions for its end-year level ranging between 3,700 (NatWest Securities) and 4,000 (SGST). Even the most optimistic, Ian Harnett of SGST, who is predicting a 4,000-4,250 end-year level, is not expecting Footsie to match 1995's 20.3 per cent increase.

Among the bears, Mark Brown, of ABN-Amro Hoare Govett, has a target of just 3,500. He cites political risk,



Investors should be ready for a bumpy ride in 1996. Tony Anderson.

slowing profits growth and a likely correction on Wall Street.

Robin Aspinall, of Panmure Gordon, a pessimist about the market last year, thinks liquidity factors might drive Footsie up to 3,800 or 3,900 in the next few weeks, but will then act to drive the market below its present level later in the year.

But bulls may take heart from those who study the charts. Brian Marber, a technical analyst, expects Footsie to reach 4,300 by June on the basis of the average rise after a Coppock buy signal (this indicator, based on 11- and 14-month averages, flashed green at the end of April 1995). And, given the rather cautious forecasts of many analysts for the London market, he thinks there is a chance Footsie could do even better.

Robin Griffiths, chief technical analyst at broker James Capel, is expecting a strong move soon, reaching a new all-time high of 4,300 in the spring.

Among all types of analysts, the consensus seems to be that shares will start the year well but then fall back later on as investors start to worry about the approaching general election and the Labour party victory indicated by opinion polls. An election must occur before May 1997, but by-elections may cause the government's majority to evaporate before then.

Perhaps the political fears are overdone. Stock market historian David Schwartz points out that shares rose in the six months before Labour's 1945, 1960, 1964 and 1986 election victories. They did fall sharply before and after Labour's 1974 election victory.

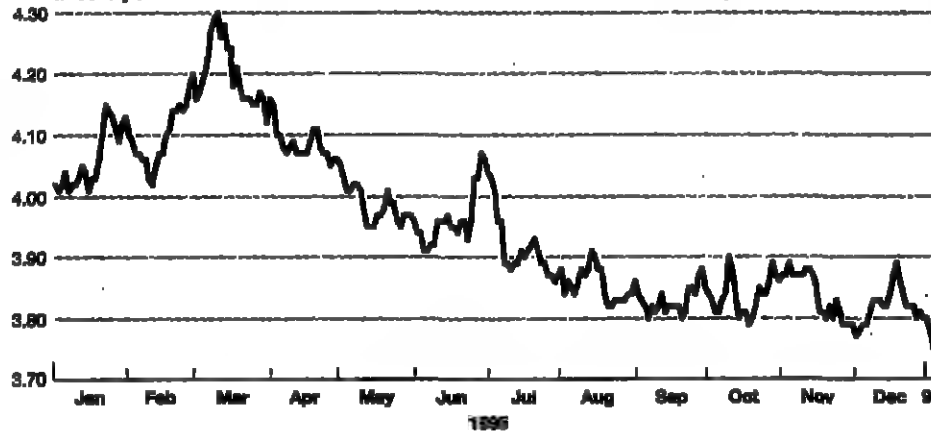
ries, however. Concern this time seems to focus more on Labour's macro-economic policies, such as the minimum wage, rather than its handling of macro-economic issues, such as inflation and government borrowing, which have caused problems in the past.

It seems likely that the market will be plagued by political jitters throughout the year, acting as a brake on its attempts to approach 4,000. One possible driving force, of course, could be a continuation of 1995's bid activity. There were plenty of rumours last week, notably in the insurance sector, but no actual deals - not even the much-expected increased bid for Forte from Granada.

But the factors which fuelled the takeover boom in 1995 - low interest rates, strong corporate liquidity and a desire to act before a change in government - continue to operate. Indeed interest rates in the UK and the rest of the world continue to be the key to stock market performance. It is rare for share prices to fall while interest rates are declining. Many analysts are hoping for two or more cuts in UK rates this year. But the short sterling future, the market's vehicle for speculating on rate changes, is expecting only a quarter-point cut in rates by September. After then, the future shows rates rising gently to reach 7 per cent by December 1997. If that proves correct, then the stock market could well face a problem later in the year.

Shares lose their yield support

The dividend yield on the FT-SE All-Share index



Highlights of the week

	Price	Change	52 week	52 week	
	1/1/96	on week	High	Low	
FT-SE 100 Index	3704.5	+15.2	3715.6	2964.2	Wall Street strength
FT-SE Mid 250 Index	4071.2	+46.5	4071.4	3300.9	Takeover speculation
Barrat Dev	281	+14	282	158	Improved housing outlook
Bridon	102	-17	157.5	98	Profits warning
British Airways	498	+32	499	348	Traffic figures/USB upgrade
BT	342	-12	415.5	340.4	Regulatory concern
Geest	206	+18	206	103	Bid speculation
ICI	613	-50	849.5	660	Capex recommendations/US buying
Jacques Vert	116	-67	218	105	Stump in profits
Man (ED & F)	149	-9	185	139	BZW basket warrant issued
Refuge	488	-33	488	242	Takeover speculation
REXAM	385	+41	319	327	Bid hopes
Sainsbury (J)	391	-12	479.4	383	Brokers cautious
Thorn EMI	1611	-94	1619	997	Stump in recommendations
Vodafone	2144	-18	2285.5	1774	Stump in subscriber figures



Barry Riley

Unlocking Europe's potential

The promise is there but attitudes need to be changed

These days, continental Europe's economies and stock markets tend to get a bad international press. Not only do the UK's Europhobic newspapers habitually sneer at everything continental, but the Americans are strongly critical of what they see as semi-socialist industrial policies and Bundesbank-dominated monetarism. Buy the bonds but sell the equities is the mood of the strategists.

But perceptions can be fickle and backward-looking. It is the future that really matters. It reminds me very much of the negative image that America itself presented in the 1930s, and which I discussed in one of the very first of these Saturday columns back in October 1987.

For a number of years before that, American stocks had performed lamentably by international standards, creating a poor reputation that has led directly to the under-exposure of global investors to US equities in the 1990s. For instance, UK pension funds have only about 4 per cent of their portfolios invested in Wall Street, against nearly 10 per cent if they had a full, index-weighted US exposure.

In the 10 years up to 1986, the average annual return on US equities lagged anywhere between 5% and 10% percentage points behind the

returns (in dollars) on equities in Germany, the UK and Japan. Earnings growth in the US was terrible, partly because of the over-valuation of the dollar that squashed traditional US industries and partly because of the slowness of the response by managements to global competition (in the car industry, for one). Any big US company with "General" in its name became regarded as synonymous with industrial decline.

I said, however, that it was wrong to dismiss US business as having moved irrevocably from domination to decadence. A turning point was near.

I have to confess that the judgment could have been better timed, given that the Wall Street crash arrived the very next week. But, indeed, since the end of 1987 Wall Street has easily outperformed the World index. For example, in the six years of the 1990s so far, the annualised return on the FTSE 100 has been 13.3 per cent, has trounced the mere 3.1 per cent available on the World ex-US index. And we can note that those "Generals" are respectable again: in 1995, General Dynamics' share price rose by 38 per cent, General Electric's by 41.

Perceptions of the US economy have changed. Is this because overall economic performance has improved? Not obviously, because

average annual growth has slipped from 3.5 per cent in the 1980s to 2.2 per cent in the 1990s. Of course, the US has been prominent in glamorous new industries such as personal computers, biotechnology and the media. Europe's growth rate has also declined slightly, to 1.7 per cent, but there has been a

The Continent is burdened by over-valued currencies and fossilised managements

much sharper slowdown in Japan, home of the world's second-biggest stock market, which has seen negative returns in the 1990s. So, the Pacific balance of power has shifted back from Japan towards America, but, in absolute terms, the US has scarcely been revitalised.

It is not economic growth but the changed distribution of rewards that has helped to transform the performance of Wall Street. The dollar has been competitive in the 1990s, while much of US industry has re-engineered itself to enhance shareholder value.

According to the OECD, returns on capital in the US have risen sharply from 16 to

20 per cent since 1988. In three years, earnings per share have jumped by two-thirds, admittedly from a 1992 base affected by write-offs.

For the US in 1987, now read continental Europe, burdened by over-valued currencies and fossilised management attitudes. The issues here extend far beyond the need to respond to Asian competition. The bigger challenge is to accelerate the pace of restructuring in the context of multiple stakeholder philosophies (shareholders don't always come first, or even second) and routine political interference.

Not that European stock markets have performed that badly in the 1990s. Although the local currency return on the Europe ex-UK index was a modest 12 per cent in 1995, that turned into 22 per cent when expressed in soft dollars. And although Europe is supposed to be a single market, investors neglect the national differences at their peril.

At the extreme, there is the example of Italy, a substantial economy which has been growing quite healthily of late but where equity returns were slightly negative last year. The decline eroded a stock market capitalisation which is now only about one-eighth per cent the size of the UK's (although the two countries' GDPs are comparable in magnitude, depending on

guesses about the size of Italy's black economy). With its murky corporate governance practices and botched privatisation deals, Italy symbolises Europe's stock market shortcomings - but also indicates its potential.

Two factors may well galvanise continental Europe's corporate performance over the next five to 10 years, however. One is the need to harmonise corporate governance with international standards if capital is to keep flowing from the US, Japan, and the big global funds controlled in London. The second is the challenge of reforming social security systems and creating funded pension schemes which can direct their long-term investment flows into equities as well as bonds.

There should, after all, be a growth pay-off from the accelerated economic integration of the 1990s. It is true that European industry needs to fill some important gaps, notably in innovative areas of technology. And perhaps it does not appear likely that large swathes of traditional European industry will re-invent itself as the Americans have done.

But then, it did not seem obvious in the late 1980s that the Americans, so overshadowed by Japan at that time and apparently sliding into industrial decline, would respond as they did.

Offshore managed funds and UK managed funds are listed in Section One

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Parker & Southbridge Ltd.		Windsor Midg. San. Assoc. - Waverley Chase	
London West India Loan	125M 52M	071 588 8117	01992 255930
Managed Funds	51.2	---	---
Managed for US Govts	11.0	---	---
Assets for personal investment	120,000	4.39	4.39
120,000 and above	3.80	4.19	3.81
110,000 to 120,000	4.20	4.20	4.20
100,000 to 110,000	4.20	3.98	4.20
100,000 and above	3.80	3.84	3.84
250,000 to 375,000	4.20	4.20	4.20
375,000 to 525,000	4.20	4.20	4.20
525,000 to 750,000	4.20	3.18	4.20
750,000 to 1,000,000	4.20	3.18	4.20
1,000,000 and above	4.20	3.18	4.20
Assets for non-personal investment	120,000	4.39	4.39
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WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Jan 5 / US\$)

(4 pm close)

DOW JONES

S&P 500

NASDAQ

NYSE

AMEX

NYSE ARCA

NYSE Euronext

NYSE Euronext

NYSE Euronext

NYSE Euronext

NYSE Euronext

NYSE Euronext

NYSE Euronext

NYSE Euronext

NYSE Euronext

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EUROPE

AUSTRIA (Jan 5 / Sch)

BELGIUM (Jan 5 / Franc)

DENMARK (Jan 5 / Kr)

FINLAND (Jan 5 / Mark)

FRANCE (Jan 5 / Franc)

GERMANY (Jan 5 / Mark)

GREECE (Jan 5 / Dr)

IRELAND (Jan 5 / P)

ITALY (Jan 5 / Lire)

NETHERLANDS (Jan 5 / Gld)

NORWAY (Jan 5 / Kron)

POLAND (Jan 5 / Zloty)

PORTUGAL (Jan 5 / Esc)

SPAIN (Jan 5 / Ptas)

SWEDEN (Jan 5 / Kron)

SWITZERLAND (Jan 5 / Franc)

UNITED KINGDOM (Jan 5 / Ster)

YUGOSLAVIA (Jan 5 / Din)

From automotive to automation, Rockwell gets your business moving

Rockwell

AUTOMATION • AVIONICS • TELECOMMUNICATIONS

DEFENCE ELECTRONICS • AEROSPACE • AUTOMOTIVE • GRAPHIC SYSTEMS

INDICES

Jan 5

Jan 4

Jan 3

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Low

1995/96

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US INDICES

Jan 5

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Jan 3

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WORLD STOCK MARKETS

AMERICA

US budget uncertainty mars trading

Wall Street

US share prices were volatile yesterday as uncertainty about the budget debate continued to rattle shares in larger companies. Technology shares reversed several days of weakness as investors searched for bargains, writes Lisa Brunstein in New York.

The Dow Jones Industrial Average slid more than 20 points at the opening, and then bounced momentarily into positive territory before falling back in the early afternoon. By 1 pm, the Dow was off 7.95 at 51,658.

The Standard & Poor's 500 was also volatile, although it never made it into positive territory. At 1 pm the index was

2.25 lower at 615.45. The American Stock Exchange composite shed 6.03 at 542.44. NYSE volume was 246m shares.

Bonds started some influence on shares yesterday as they slipped amid confusing signals from the parties debating how to balance the federal budget.

The Nasdaq composite, which had fallen nearly 3 percent in the previous two sessions started the day with a decline of another 1 percent, but turned positive in the late morning as investors were encouraged by lower prices. Near 1 pm the index was 2.08 higher at 1,031.90.

Microsoft, which had fallen more than \$2 on Wednesday and Thursday, was \$4 higher at \$87.40. Apple Computer

added \$1 at \$32.40 and Dell Computers climbed \$1.74 at \$39.40.

Adobe Systems was credited with sparking some of the early sell-off. The computer software maker reported operating earnings of 40 cents a share late on Thursday. Analysts had expected earnings closer to 57 cents a share. Shares in the company tumbled \$1.54 or 27 percent to \$42.50.

Marvel Entertainment Group fell 4/5 or 3 percent to \$12.40 after announcing that it anticipated a loss for the quarter because of a \$25m charge taken to restructure its trading card operations.

Commercial banks, which were among the strongest performers last year, continued the sharp losses made on

Thursday amid fears that they had reached a peak in their profitability cycle. Citicorp fell \$1.40 at \$69.30, JP Morgan was off \$2.40 at \$78.70, Chemical Bank was \$1.40 lower at \$55 and Chase Manhattan Bank slipped \$1.40 at \$57.40.

Canada

Toronto headed back towards record setting territory in midday trade as a shining gold sector helped to offset a sagging bond market.

The TSX-300 Composite Index was 17.35 higher by noon at 4,940.00 in hefty volume of 41.8m shares.

Among actively traded gold stocks, TVZ Gold rose 3/4 to \$10.00 and Barrick Gold was \$1.40 higher at \$38.50, after a 52-week high of \$38.50 earlier.

Latin America

MEXICO CITY decided that it was time to take profits after a week which had seen a number of impressive rises over several sessions. By midsession the IPC index was off 28.07 at 2,974.65.

Dealers said that a fall in domestic interest rates had caused a number of investors to move cash out of the market.

BUENOS AIRES was marginally higher in midday trading, recovering from an earlier decline. The Merval index was up 3.85 at 556.46.

SAO PAULO continued to make headway, and by early afternoon was up 120.79 at 65,961.

Japan in pole position as strategists view 1996

Philip Coggan notes a mood of cautious optimism

Last year was not an easy one for investment strategists. There were some volatile moves: the Dow Jones Industrial Average passed both 4,000 and 5,000, the dollar fell to Y80 and climbed back to Y100 and bonds reversed their 1994 declines.

As 1996 begins, with many world stock markets hitting all-time highs this week, most analysts are cautiously optimistic, with many citing falling worldwide interest rates and low inflation as good news for financial assets. The main risks appear to be the amount of good news which is already discounted in the markets, particularly in US bonds, and the problems which might occur, accordingly, if economic growth accelerates rapidly.

In spite of the strength of the US market in 1995, Mr Michael Hughes, global strategist at Barclays de Zoete Wedd believes that further progress can be made. "Interest rates are coming down, and profits are rising," he says. "Classic conditions for the end of a bull market, such as over-extended balance sheets, are not yet in place."

Mr John Reynolds, chief investment strategist of Nat West Markets says that "the Dow has upside potential that could take it close to 5,500 and if US Treasuries continue to advance, the US stock market could have even further upside potential - towards the 6,000 level."

"Nevertheless, from an asset allocation perspective, we are close to the point where further upside moves on the Street should be used to reduce exposure," he adds.

Japan appears to be one of the strategists' favourite areas for the year. Mr Peter Chambers, chief investment strategist at James Capel, who has an overall strategy of moving investments eastwards in 1996, points to the "massive differences between rates of profits growth."

"Japanese earnings are growing at 83 per cent a year and it is the only country where earnings estimates were being upgraded in the second half of 1995. In the US, we are expect-

ing core earnings to grow only 1 per cent in 1996."

Nat West's Mr Reynolds says: "1996 should show a significant improvement in the fortunes of the Japanese economy. With the help of monetary and fiscal stimulation, the outlook for the corporate sector is looking increasingly bright. Firm evidence of economic recovery and the rebound in corporate earnings that should flow from this should provide the impetus to push the Nikkei into the 24,000-25,000 range."

Mr Reynolds adds: "The rebound in corporate earnings over the last 12 months have brought down European price/earnings multiples down to more comfortable levels. That said, the outlook for equities in continental Europe remains mixed. The strength of the D-Mark continues to cast a shadow over the German earnings outlook and in the near term, we find it difficult to justify a positive stance on the German stock market."

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The team likes the Netherlands, as well as Germany, among the core European countries. "Our peripheral market of choice is Spain," it says.

Mr Reynolds adds: "The rebound in corporate earnings over the last 12 months have brought down European price/earnings multiples down to more comfortable levels. That said, the outlook for equities in continental Europe remains mixed. The strength of the D-Mark continues to cast a shadow over the German earnings outlook and in the near term, we find it difficult to justify a positive stance on the German stock market."

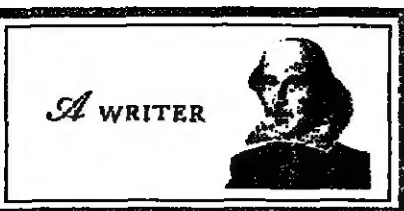
On emerging markets, BZW's Mr Hughes strikes a cautious note. "It will pay to be selective," he says. "We don't think investors' tolerance for risk is high and the economic risks of investing in some countries have increased. We are below benchmark in Latin America, and modestly above benchmark in South East Asia."

"The fundamental arguments for investing in the Asian region remain intact," argues Mr Reynolds. "The growth prospects in Asia look difficult to surpass elsewhere in the world."

For explanation see Weekend FT, Page 17

For explanation see Weekend ET, Page 1

Listing cancelled on 3 January 1992



FINANCIAL TIMES

Weekend January 6/January 7 1996

The MALT



Investment bank revolt led to UK exchange chief's downfall

By John Gapper, Banking Editor, in London

Mr Michael Lawrence, the chief executive of the London Stock Exchange, was dismissed after members of some of the largest investment banks staged a revolt against the manner in which he was implementing share trading reforms.

Two leading investment bankers met Mr John Kemp-Welch, the exchange's chairman, in mid-December to make a formal protest at the method by which the exchange's board was planning to change how shares are traded in London.

Senior members of the exchange say the protest over the way reforms were being implemented was not directly connected with Mr Lawrence's dismissal. However, the incident contributed to discontent with Mr Lawrence among City of London financiers.

The protest by Lord Rockley, chairman of Kleinwort Benson, the investment bank owned by Germany's Dresdner Bank, and Mr Martin Owen, chief executive of NatWest Markets, the investment banking arm of National Westminster Bank, led to a change of heart by the



Lawrence: may consider suing exchange for wrongful dismissal

exchange's board on Thursday.

At the meeting, it both approved a call for Mr Lawrence's resignation, and added representatives from three firms of marketmakers, which act as wholesale share traders, to a committee which will monitor trading reforms.

Although the exchange has not

yet announced the membership of the nine-person committee, Mr Michael Marks of Merrill Lynch, Mr Scott Dobbie of NatWest Markets and Mr Hector Santa of Union Bank of Switzerland, have been added.

Mr Kemp-Welch said on Thursday that no single incident led to Mr Lawrence's dismissal, and he had been dismissed as a result of a "loss of confidence over a long period" among the exchange's 360 member firms, and its board. Investment bankers say they were exasperated by a series of incidents unconnected with trading reforms. They disliked what they regarded as a failure by Mr Lawrence to consult them on issues before implementing controversial changes.

"People were left feeling that they never quite knew what was going on, and they had to keep jumping up and down to get attention. The handling of this issue simply crystallised the feeling," said a leading member of the exchange.

Mr Lawrence, who is 52, was under a one-year contract which paid him £248,000 (£239,000) last year. He has not yet been paid a bonus he was due for the year to December 31, and is likely to seek a payment of about £200,000 from

the exchange. He may consider suing the exchange for wrongful dismissal if negotiations between his lawyers and those of the exchange are not concluded successfully. An action could centre on a claim that he was given insufficient warning.

Government officials are thought to have been concerned that Mr Lawrence was not warned of dissatisfaction with his performance before he was told by Mr Kemp-Welch on Thursday that the board wanted his resignation immediately.

Although Mr Lawrence's proposals for trading reform were approved at a board meeting on November 30, some members were unhappy at the way in which Mr Lawrence proposed offering a "hybrid" system of trading from August this year.

After the dispute over trading reforms, Mr Kemp-Welch asked the exchange's senior appointments and remuneration committee, chaired by Mr John Bond of the banking group HSBC Holdings, to discuss Mr Lawrence's position. The committee met several times, and decided to recommend Mr Lawrence's dismissal earlier this week.

Man in the news, Page 9

Yeltsin moves to reassure west as nationalists applaud departure Russian foreign chief Kozyrev quits

By John Thornhill in Moscow

Mr Andrei Kozyrev, the Russian foreign minister who helped reintegrate his country into the world community after the collapse of the Soviet Union, yesterday resigned to become a deputy in the newly elected parliament.

A liberal career diplomat much admired in western capitals but long reviled by Russian nationalists, Mr Kozyrev appeared to have lost the confidence of President Boris Yeltsin in recent months.

Mr Yeltsin sharply criticised Mr Kozyrev last year for his failure to check Nato's eastward expansion plans and his inability to bring sufficient Russian influence to bear in the former Yugoslavia.

The departure of Mr Kozyrev, blamed by critics for placing too much emphasis on relations with

the west, comes at a time of renewed Russian interest in relations with China, which Mr Yeltsin hopes to visit in the spring.

In accepting Mr Kozyrev's resignation, Mr Yeltsin tried to reassure the west that there would be no nationalist lurch in policy despite the strong showing of the communists and ultra-nationalists in last month's parliamentary elections.

"Western countries should not regard the resignation of Andrei Kozyrev from the post of foreign minister as any kind of threat or as an indication of change in Russia's foreign policy," the presidential spokesman said.

The Communist party welcomed his departure. "All Kozyrev's blunders have been in favour of the west," a spokesman said.

Mr Sergei Lavrov, deputy foreign minister, will take charge of foreign policy until a permanent

replacement is appointed. Western diplomats praised Mr Kozyrev's contribution to dismantling Cold War antagonisms. "Russia's relations with the west have been completely transformed during his time as foreign minister and Kozyrev personally can take a large part of the credit for that," one said yesterday.

But diplomats said future Russian policy was bound to become more nationalist in style - if not necessarily in substance - to reflect the increasingly anti-western mood within the country.

In the early 1990s Mr Kozyrev introduced a new approach to Russian diplomacy, even appearing on western television talks to explain his country's policies in flawless English. His willingness to co-operate with international organisations led to him being nicknamed Mr Da (yes) in contrast to one of his

legendary Soviet predecessors, Andrei Gromyko, who was known as Mr Nyet.

As one of Mr Yeltsin's most loyal and longest-serving ministers, Mr Kozyrev succeeded in dispelling many of the west's concerns about the president's erratic character and policies. Such was his influence that the west barely objected to Mr Yeltsin's use of force in October 1993 to crush his hardline opponents in the Supreme Soviet.

After being elected an independent deputy for the northern city of Murmansk last month, Mr Kozyrev had to choose between remaining a minister or taking up his post in parliament. His resignation was widely seen in Moscow as an elegant exit pre-empting his likely dismissal.

Kozyrev introduced Russia to a world it still mistrusts, Page 2

THE LEX COLUMN

Spanish bulls

Only months after buying Smith New Court, Merrill Lynch is poised to do a deal with FG, Spain's largest independent Spanish broker. Merrill's "global and local" strategic plan had already pinpointed Spain as one of six European countries in which it wished to compete for domestic business. The strategy makes some sense: parachuting in specialists from a regional head office has limitations. Firms like Goldman Sachs win a large share of cross-border business this way, but Merrill wants to get domestic deals too. For this, a strong presence on the ground, with trading and research capacity, is clearly needed.

But FG, a top broker, will not necessarily give Merrill access to primary business. The Spanish banks, most of which own brokerages, have better access to corporate clients. And, unlike others in Europe, they are good at marketing and distribution, as Spain's relatively successful privatisation record demonstrates. Since brokerage margins are thin and overheads high, returns will be disappointing unless such business is generated.

Still, there are opportunities. Spain's small pension fund system is likely to grow and Spanish investors have yet to put much money overseas. Merrill's global reach will give it a strong competitive advantage in winning some of this business. Provided Merrill does not overplay the deal may prove fruitful. But an even more daunting task lies ahead: building up operations in France and Germany, through acquisition or organic growth. Merrill faces a long haul.

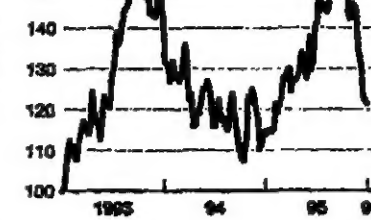
FT-SE Eurotrack 200:

1615.0 (-16.7)

Merrill Lynch

Share price relative to the

S&P Composite



Source: FT Data

incentives for homeowners, the government is not going to damage the housing market either.

The danger is that the old relationship between house values and incomes has been dissolved by the shock of the recession. House prices are down more than 10 per cent nationally from their 1989 peak - and by 25 per cent in the south east - and have remained essentially flat since 1992. In that context, a 2 per cent increase will do little to restore confidence. One in 10 mortgaged homes is still burdened by negative equity and borrowers can no longer inflate their way out of debt.

This year may produce the first rise in house prices for nearly a decade. But it hardly deserves to be called a recovery.

to make a mail-shot to 6m customers over the holidays. The latest market share figures suggest that, having overtaken Sainsbury in dry groceries last May, it is now almost three percentage points ahead.

The big question for this year is how Sainsbury will fight back. It has yet to find a response to Tesco's loyalty card, but it still enjoys the highest sales per square foot among the majors. The group appointed a new marketing director in November and its current January Savers campaign, though no more significant than Sainsbury's in scale, is notably more aggressive in tone. If the group manages to revive some of its flagging sales momentum, it will be tempted to continue. That could turn today's phony price war into a real one.

UK supermarkets

For all the talk of a renewed price war, the January promotions launched this week by J Sainsbury, Safeway and Iceland amount to little. Safeway, for example, is cutting prices on just 70 products in supermarkets that stock around 20,000 lines. In most big stores at least 20 items are subject to some type of special offer all year round. The promotions look more like sharp marketing in a quiet month than a real food fight.

Even so, the sector remains extremely competitive. Christmas trading statements over the next few weeks should reconfirm last year's trends, with Asda and Tesco expected to report double digit sales growth. Argyl's Safeway recovering and Sainsbury continuing to lag behind. Tesco is still benefiting from its Clubcard loyalty scheme, which allowed it

UK house prices

This is the time of year when the housing market traditionally gets frisky. True to form, mortgage lenders and market pundits are again forecasting the long-awaited recovery. For 1995, expectations are for a 2.8 per cent rise in house prices, with a 10 per cent increase in transactions.

That optimism is based on hopes that this will be the year economic recovery and tax cuts finally feed through to consumers. In the past, rising disposable incomes have tended to drive the housing market. Measured against incomes, houses are now more affordable than at any time since the early 1980s. The last time mortgage rates were this low - albeit with more generous tax relief than today - the Beatles were in their heyday. While the last Budget carried no special

Granada

It is crunch time for Granada. Over the weekend, it must decide whether to walk away from its £3.3bn bid for Forte, or raise it convincingly. It has to make that decision against the background of a lukewarm response from its shareholders. At least rumours of the bid's demise, while extraordinarily premature, have aided Granada's share price, which would help fund a higher offer. Nonetheless, with Forte's share buy-back proposals offering the characteristics of a share support programme, it is hard to imagine Granada winning for much less than £3.70 a share compared with the current £3.35 bid.

If Granada walked away, its share price would rally. After all, it could look forward to two years of double digit earnings growth anyway. It could blame the U-turn on Forte's asset-stripping and a greedy Council of Forte, which wants a special deal in exchange for its voting rights. Nonetheless, Granada's management would look strategically bereft and struggle to find sufficient investment opportunities for its cash flow.

It is far more likely to come out shooting - for it has spent years stalking this prey. But it would have to be able to provide a range of justifications for a convincingly higher offer - through a detailed analysis of its proposed cost savings; convincing proposals for improving yields at Forte's mid-market hotels; and preferably some provisional deals to dispose of unwanted Forte assets, such as luxury hotels. The only certainty is that there will be an extraordinarily fine line between victory and over-paying.

Comic cuts

Continued from Page 1

Marvel also said it would cut down on fancy covers and expensive papers for its comics. These are designed to appeal to comic book collectors and speculators, a market which collapsed in 1993.

This is not the first sign of trouble at Marvel. In March last year it warned that as a result of the baseball strike, it would

increase earnings by only 15-20 per cent for 1995, to \$0.69-0.72 per share.

Yesterday it said earnings before extraordinary charges would be only \$0.05 for the full year. The pre-tax charge of \$25m brings total charges for the year to \$55m.

Wall Street evidently takes the threat to the empire seriously. Marvel's shares dropped 3 per cent yesterday to \$12.

Adobe shares slide 40%

Continued from Page 1

integrating the Frame sales force into Adobe's, and to increased spending on marketing and product development. He also said the company's fourth quarter revenue of \$201m was about \$10m below expectations, in part because of weak sales at Frame and late shipments of a new Adobe product, Adobe Illustrator. Adobe is developing software

for Internet publishing. Mr Geschke said publishers already familiar with the company's software would be able to make an easy transition from paper to electronic distribution with Adobe's new products. Mr Ed Berdemann, head of research at Daiwa Securities, said he thought the share price drop created a buying opportunity because Adobe represents a relatively safe way to buy into an Internet-related share.

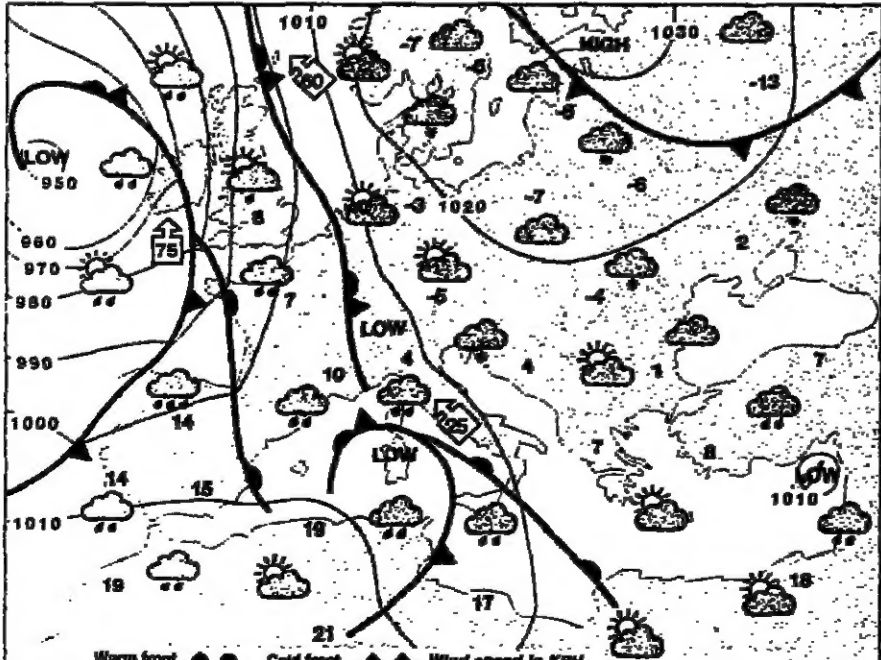
FT WEATHER GUIDE

Europe today

Near gale force winds are expected over the North Sea and the British Isles as a deepening depression approaches from the west. The southern coast of Ireland will also temporarily have gale force winds. England, Scotland and central France will have sunny spells. Ireland, western France, Portugal and most of Spain will have outbreaks of rain. Northern France and the Benelux will be mainly cloudy with patchy or frequent rain. Much of Italy will have rain. The former Yugoslavia and Greece will stay dry with sunny periods. High pressure will dominate western Russia and eastern Europe producing dry but cloudy conditions. Afternoon temperatures will be below freezing.

Five-day forecast

Spain, Italy and former Yugoslavia will be cloudy with outbreaks of rain during and after the weekend. Later, south-east Europe will turn unsettled but Italy will stay mainly dry. Most of the UK will remain rainy and windy. The Benelux will have cloud and rain as milder air approaches. High pressure will remain stationary over western Russia, resulting in cloudy but dry conditions in eastern Europe and western Russia. It will remain cold.

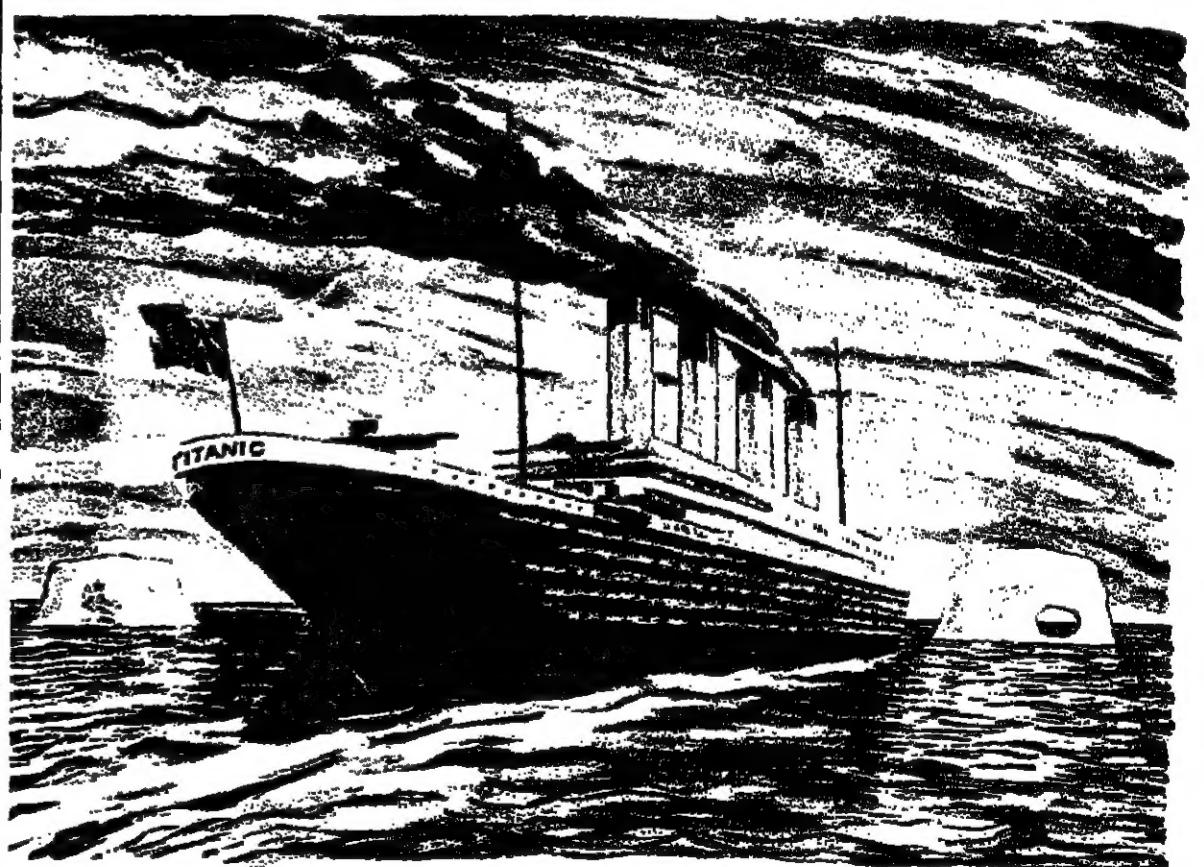


TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Almaty	2	Cardiff	10	Faro	18	Madrid	12
Amman	10	Chennai	25	Frankfurt	10	Malaga	15
Amsterdam	10	Colombo	28	Geneva	10	Moscow	10
Athens	15	Copenhagen	10	London	10	Nairobi	20
Bahia	25	Dublin	10	Lyons	10	Rangoon	31
Bangkok	25	Edinburgh	8	Munich	10	Reykjavik	8
Batavia	25	Frankfurt	10	Naples	10	Rome	15
Bombay	25	Geneva	10	New York	10	Sao Paulo	25
Buenos Aires	25	London	10	Osaka	10	Singapore	30
Buenos Aires	25	Lyons	10	Paris	10	Stockholm	10
Buenos Aires	25	Munich	10	Perth	10	Sydney	25
Buenos Aires	25	Nairobi	20	Prague	10	Taipei	15
Buenos Aires	25	Rangoon	31	Stuttgart	10	Tokyo	15
Buenos Aires	25	Reykjavik	8	Vienna	10	Winnipeg	10
Buenos Aires	25	Rome	15	Zurich	10		

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